

**City of Rockville
Pension Fund**

**Analysis of Investment Performance
through June 30, 2008**



**George Kiriakos
Vice President**

August 2008



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August 18, 2008

Board of Trustees
City of Rockville Pension Fund
111 Maryland Avenue
Rockville, MD 20854

Dear Trustees:

This report presents our updated analysis of the City of Rockville Pension Fund's investment performance and traces the growth of assets through June 30, 2008. It is based on data provided to us by your custodian and the various investment managers. The report illustrates the investment performance of the overall Fund and also shows results by asset class segment and by individual manager in comparison with the various performance benchmarks defined in the Fund's statement of guidelines and objectives.

We hope you find this report useful as a tool for monitoring the performance of the Fund as well as a basis for discussion of the investment issues surrounding the investment program. We look forward to reviewing this report with you and answering any questions you may have.

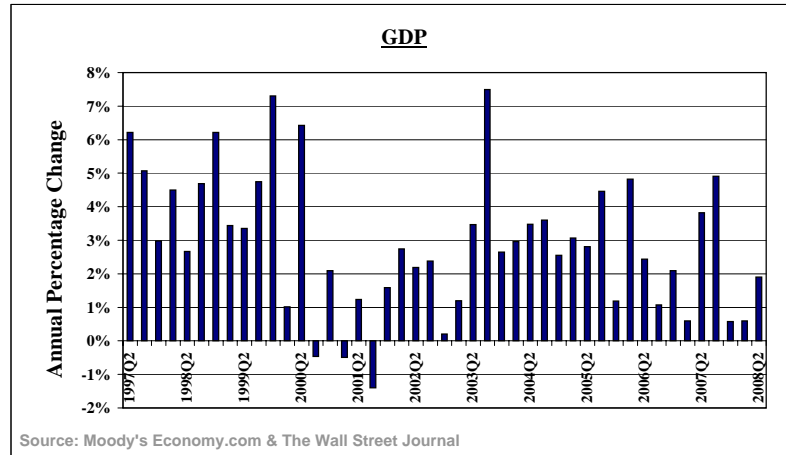
Sincerely,

George Kiriakos
Vice-President

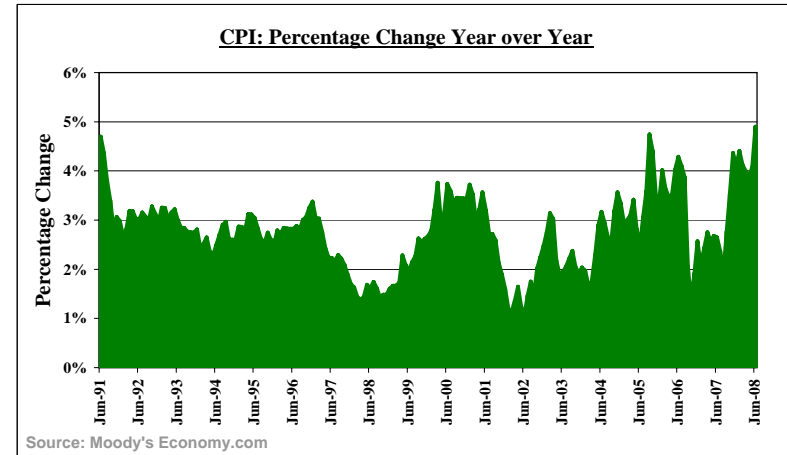
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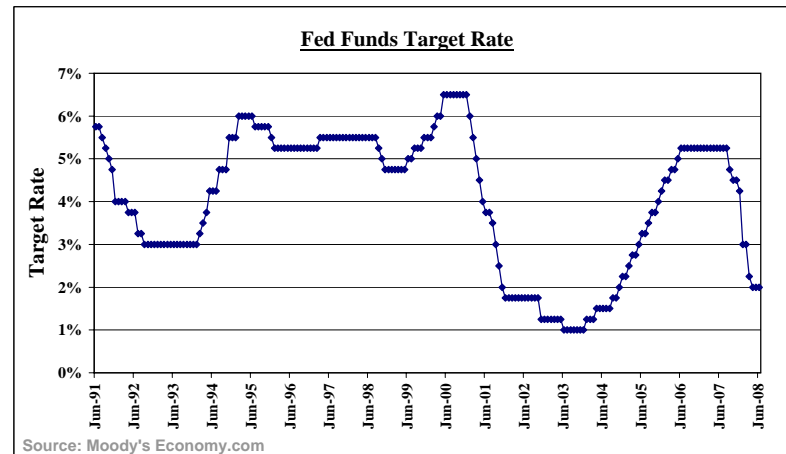
Macroeconomic Themes



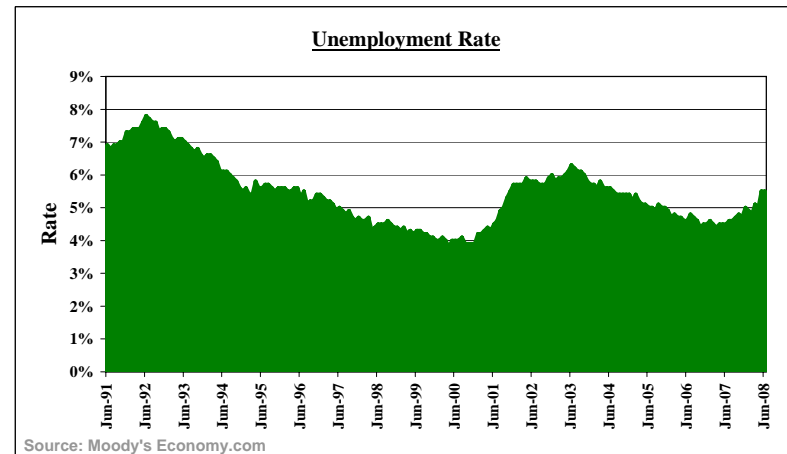
- Q2 2008 GDP advanced at a 1.9% annualized rate, which was below the consensus expectation of 2.4%. Over the past year, real GDP increased 1.8%. Rising exports, falling imports, and an increase in consumer spending were the key drivers of GDP growth. A significant drop in inventories subtracted 1.9% from growth in Q2, the biggest drop in three years.
- Consumer spending, which contributed 1.08% to GDP, can be partially accredited to government stimulus payments, which were distributed as tax rebates from April to July.



- Headline CPI rose by 1.1% since May and 4.9% on a year-over-year basis, as of June 30, 2008. The core index, which excludes food and energy prices, increased 2.4% (year-over-year) during Q2, which was a 0.3% increase over the previous month. The increase in top-line inflation is primarily due to an increase in energy prices and, to a lesser extent, food price inflation.



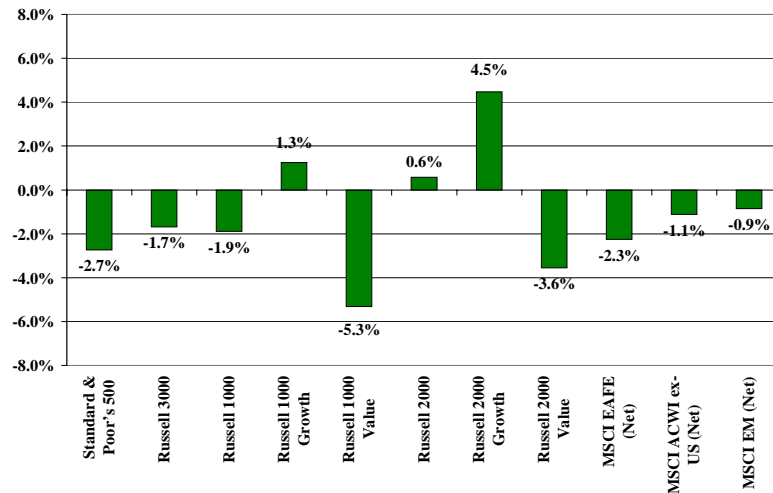
- In response to uncertainty pertaining to growth and inflation risks, the FOMC decided to keep the fed funds target rate unchanged at 2% at the June 24-25 meeting, after cutting rates 25 bps at the April meeting. Although the first half of 2008 witnessed stronger-than-expected growth, the economy remained soft through Q2 in the following areas: falling payroll employment, weakening housing market, slowing business investment growth, moderating international growth, and elevated headline inflation. Views on inflation expectations were mixed among participants.



- The labor market continued to contract at a steady pace throughout Q2. The unemployment rate remained unchanged at 5.5% in June, after a half percentage point jump in May. Nonfarm payroll employment fell 62,000 in June. Most losses were concentrated in goods-producing industries, led by losses in construction (43,000) and manufacturing (33,000).

Selected Equity and Fixed Income Index Rates of Return for Periods Ended June 30, 2008

Equity Index Returns: Quarter Ending 6/30/08

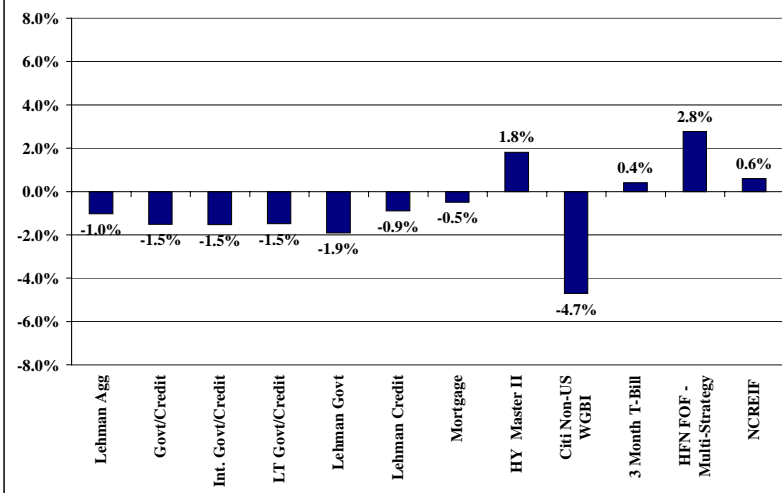


Equity Indices

	Quarter	YTD	1-year	3-year	5-year	10-year
Standard & Poor's 500	-2.7%	-11.9	-13.1	4.4	7.6	2.9
Russell 3000	-1.7%	-11.1	-12.7	4.7	8.4	3.5
Russell 1000	-1.9%	-11.2	-12.4	4.8	8.2	3.4
Russell 1000 Growth	1.3%	-9.1	-6.0	5.9	7.3	1.0
Russell 1000 Value	-5.3%	-13.6	-18.8	3.5	8.9	4.9
Russell 2000	0.6%	-9.4	-16.2	3.8	10.3	5.5
Russell 2000 Growth	4.5%	-8.9	-10.8	6.1	10.4	2.8
Russell 2000 Value	-3.6%	-9.8	-21.6	1.4	10.0	7.5
MSCI EAFE (Net)	-2.3%	-11.0	-10.6	12.8	16.7	5.8
MSCI ACWI ex-US (Net)	-1.1%	-10.2	-6.6	15.7	18.9	7.7*
MSCI EM (Net)	-0.9%	-11.8	4.6	27.1	29.8	15.5*

*For 10-year performance, Gross returns are provided.

Fixed Income and Other Index Returns: Quarter Ending 6/30/08

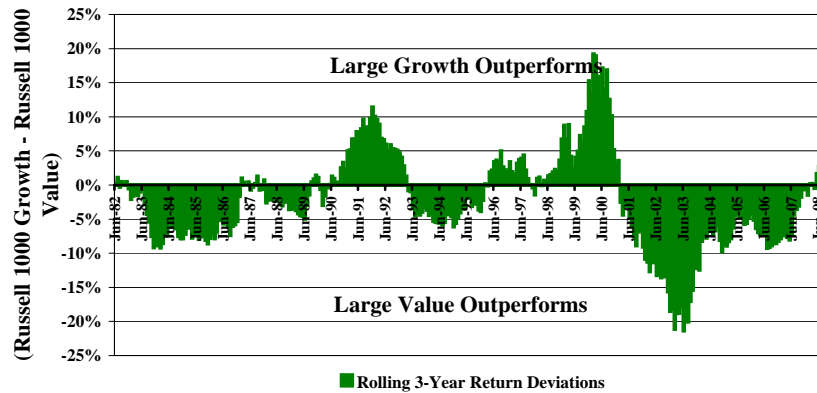


Fixed Income Indices

	Quarter	YTD	1-year	3-year	5-year	10-year
Lehman Aggregate	-1.0%	1.1	7.1	4.1	3.9	5.7
Lehman Govt/Credit	-1.5%	1.0	7.2	3.8	3.6	5.7
Lehman Int. Govt/Credit	-1.5%	1.4	7.4	4.3	3.5	5.6
Lehman Long Govt/Credit	-1.5%	-0.7	6.8	2.2	4.0	6.3
Lehman Govt	-1.9%	2.1	9.7	4.6	3.8	5.7
Lehman Credit	-0.9%	-0.5	3.8	2.8	3.3	5.6
Lehman Mortgage	-0.5%	1.9	7.8	4.8	4.6	5.8
ML High Yield Master II	1.8%	-1.3	-2.1	4.6	6.9	4.9
Citigroup Non-US WGBI (Un)	-4.7%	5.7	18.7	6.7	7.1	6.7
Citigroup 3 Month T-Bill	0.4%	1.1	3.3	4.1	3.1	3.5
<u>Other Indices</u>						
HFN HFOF Multi-Strategy	2.8%	-1.2	1.1	8.2	7.6	8.7
NCREIF National Property Index	0.6%	2.2	9.2	15.0	14.7	12.2

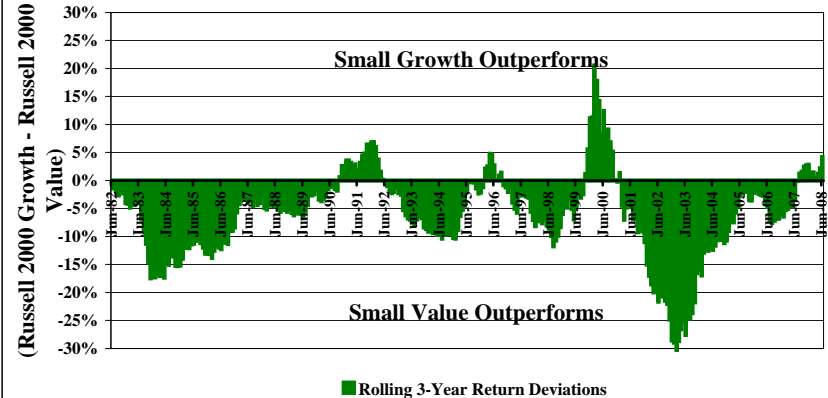
Equity Themes

Equity Style Cycle: Rolling Returns Analysis



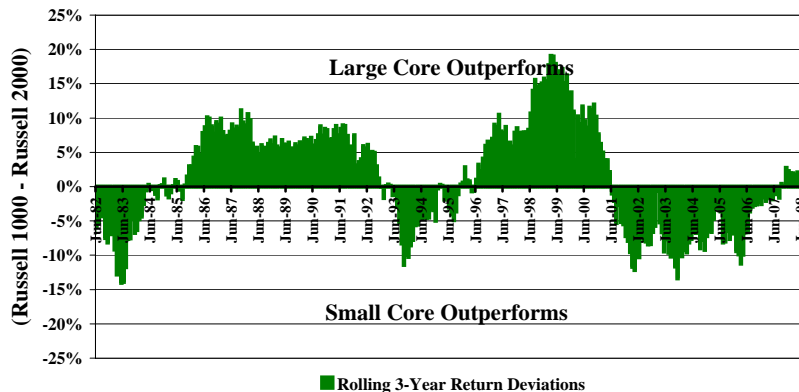
- Index Inception (i.e., January 1979): R1000V: **13.2%**; R1000G: **11.3%** (+192 bps)
- After 7 consecutive calendar years of outperformance by the R1000V relative to the R1000G, the R1000G was ahead of the R1000V on a trailing 1-year (+1282 bps) and 3-year (+238 bps) basis.

Equity Style Cycle: Rolling Returns Analysis



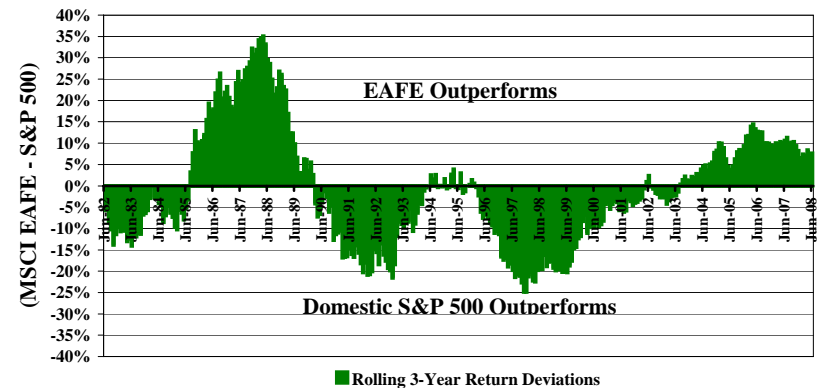
- Index Inception (i.e., January 1979): R2000V: **14.3%**; R2000G: **9.7%** (+457 bps)
- The R2000V outperformed the R2000G in 6 of last 10 calendar years; however, the R2000G outperformed the R2000V for the trailing 1-year (+1080 bps), 3-year (+469 bps), and 5-year (+35 bps) time periods.

Equity Market Cap Cycle: Rolling Returns Analysis



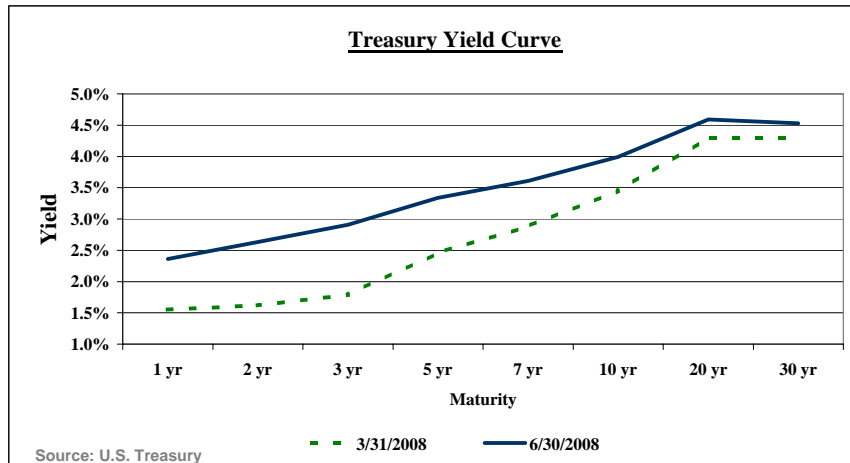
- Index Inception (i.e., January 1979): R1000: **12.5%**; R2000: **12.2%** (+32 bps)
- After outperforming for 7 of the last 9 calendar years, the R1000 was ahead of the R2000 for the trailing 1-year (+381 bps) and 3-year (+102 bps) time periods.

Equity Country Cycle: Rolling Returns Analysis

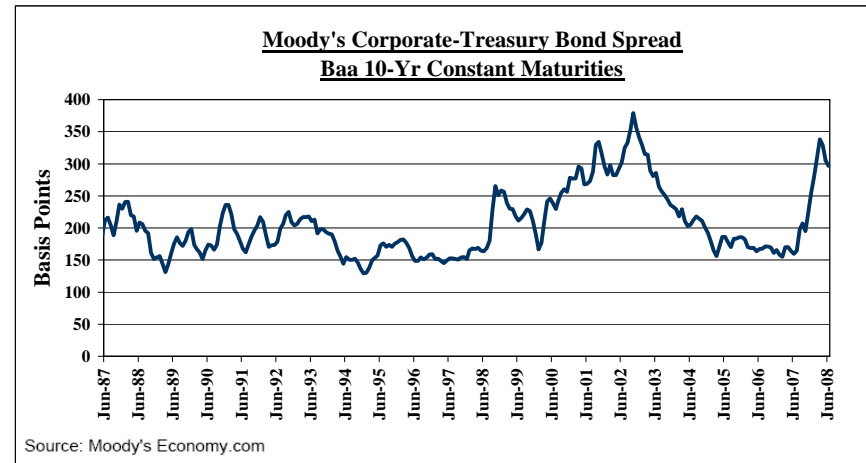


- Index Inception (i.e., January 1979): S&P 500: **12.5%**; EAFE: **10.7%** (+173 bps)
- The EAFE outperformed the S&P 500 in 7 of last 10 calendar years, including the last 6 in a row. For the trailing 1-year, the EAFE is ahead of the S&P 500 by 250 bps.

Fixed Income Themes



- Inflation concerns, combined with an effort to bolster the US Dollar, guided the Fed to hold its target for the fed funds rate at 2.0% at the June 25th FOMC meeting, after cutting the target rate by 25 bps on April 30th. The yield curve flattened sharply during Q2 as short-term Treasury yields rose by over 100 bps. The difference between 2 and 30-year Treasury yields fell to 190 bps on June 30th from 208 bps on May 31st and 271 bps on March 31st.

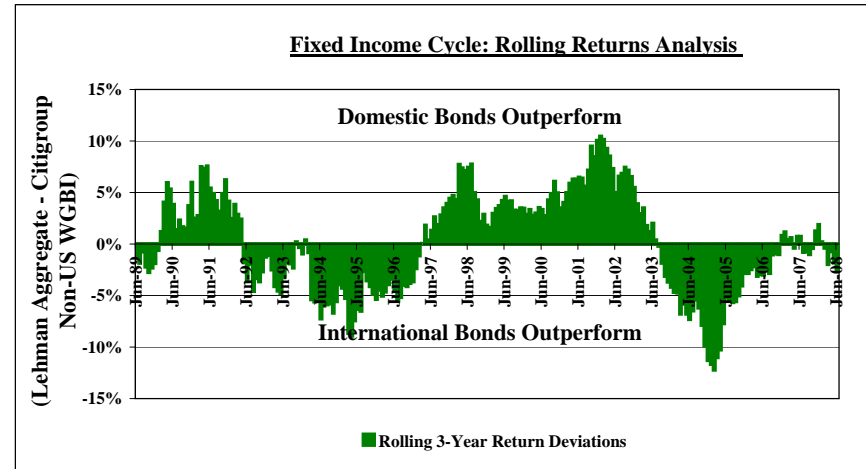


- After three consecutive quarters of widening credit spreads, spreads narrowed during Q2 2008 by 41 bps to 297 bps.
- Corporate defaults are on the rise, as corporate fundamentals continue to deteriorate. The Moody's twelve month corporate default rate rose modestly to 2.3% from 1.5% in March of 2008.

OAS and Excess Returns (in bps)					
	3/31/2008 OAS	5/31/2008 OAS	6/30/2008 OAS	1st Qtr. Excess Return vs US Treasuries	2nd Qtr. Excess Return vs US Treasuries
U.S. Aggregate Index	135	113	129	-183	64
U.S. Agency (non-mortgage) Sector	69	60	67	-67	4
Mortgage and ABS Sectors					
Mortgage Backed Securities	121	108	127	-81	52
Asset-Backed Securities	402	332	353	-594	78
CMBS	347	227	288	-777	260
Credit Sectors					
U.S. Investment Grade	259	211	238	-427	134
Industrial	259	207	226	-466	196
Utility	251	222	232	-393	182
Financial Institutions	330	268	315	-530	112
U.S. High Yield	781	622	708	-781	393

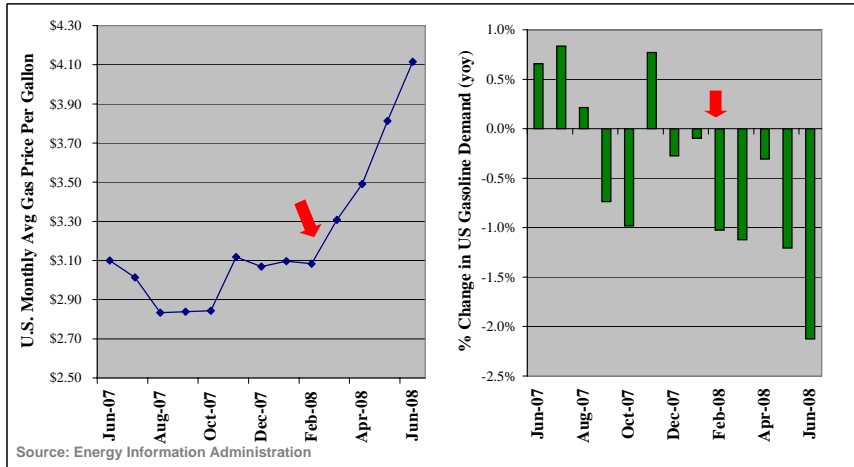
Source: Lehman Brothers

- For Q2 2008, Yield spreads on all non-Treasury sectors (except for MBS) narrowed, resulting in positive excess returns over Treasuries. The two worst performing sectors in Q1 2008 (HY and CMBS) rebounded in Q2 2008 and led all other sectors. Option-adjusted spreads (OAS) within these sectors tightened for the quarter. The OAS within US Investment Grade widened from May to June but was still tighter relative to March 31, 2008.

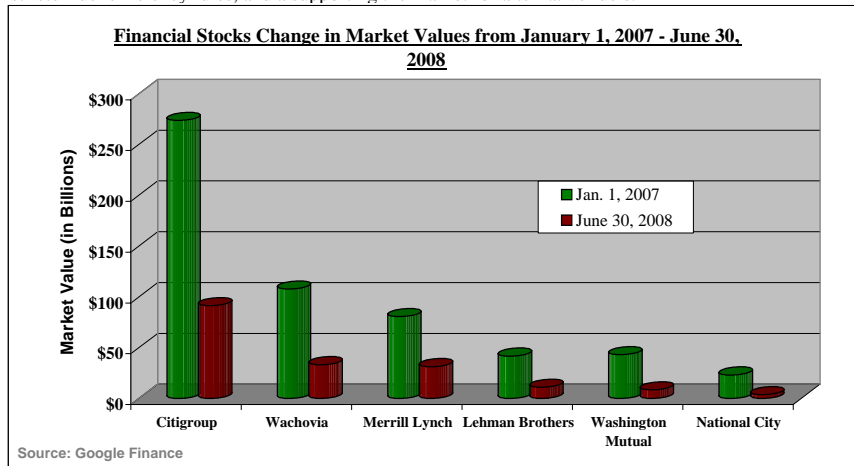


- International bonds underperformed domestic bonds during Q2 (-4.7% vs. -1.0%) for the first quarter since Q1 2007. This can be partially attributed to currency movements.
- Despite outperforming international bonds during Q2, domestic bonds continue to trail international bonds across all annualized periods studied. In addition, international bonds outpace domestic bonds by 2.6% over the 3-year rolling period ended June 30th.

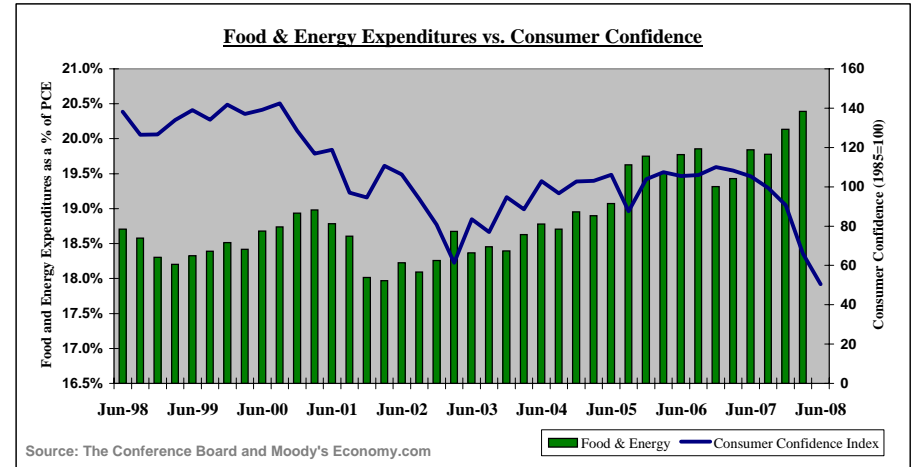
Themes of the Second Quarter



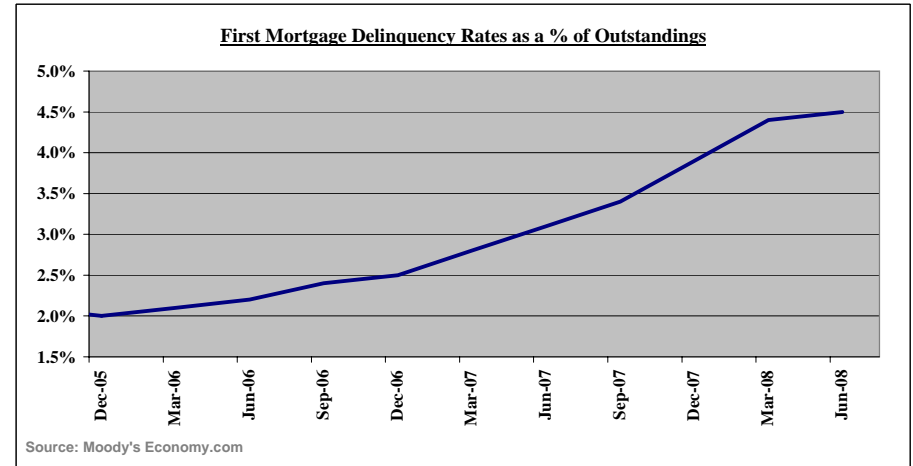
- The average price of gasoline in the U.S. hit \$4 a gallon for the first time during June of 2008, fueling concerns that soaring prices are straining household budgets. At first, U.S. consumers cut back marginally on their gas purchases, but as the year progressed and prices rose, the size of the cutbacks grew, accelerating with increasing prices.
- Higher gasoline prices have prompted U.S. consumers and legislators to make both short-term and long-term changes, including: driving less, utilizing public transportation, buying smaller cars, imposing stricter fuel efficiency rules, and a supporting the market for alternative fuels.



- Downgrades by Wall Street analysts, industry write-downs, high oil prices, and end-of-quarter worries about profitability all caused continued steep declines in financial shares during Q2 2008.
- The leverage that was fueling aggressive lending and securitization practices is now exacerbating the contraction of the entire industry.
- As financial firms look to limit leverage in falling markets, they sell assets, which further depresses prices and places additional strain on their balance sheets. The lack of liquidity within the global banking system is also placing downward pressure on prices.



- Consumer confidence continued to fall, reaching its lowest level since February 1992, as expectations for inflation remain high. Consumers found it necessary to alter their spending habits as they encounter sharp increases in energy and food prices. Since food and energy are purchased virtually every week by most consumers, a significantly larger proportion of the Personal Consumption Expenditure (PCE) will continue to be spent on these necessities.



- Delinquency rates have consistently increased for all types of credit (auto, consumer finance, bank cards and first mortgage). First mortgages have seen the largest up tick. The run-up in mortgage delinquencies stems from the ongoing and deepening housing crisis. Rate resets on adjustable rate mortgages ignited a wave of foreclosures in 2007. This caused an acceleration in housing price declines that in turn left many homeowners owing more on their mortgage than the market value of their homes. Many borrowers have chosen to "cut their losses" and stop making monthly payments as a result.

Investment Manager Roster

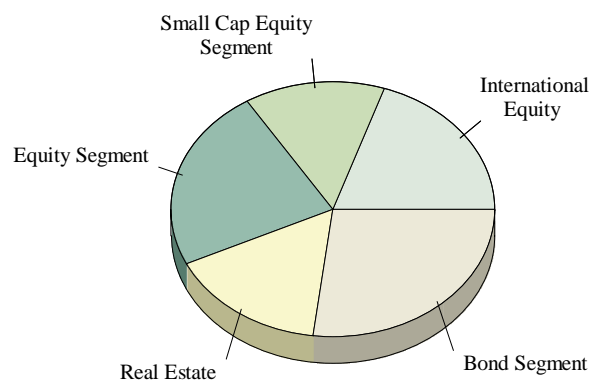
Investment Manager	Mandate	Benchmark	Inception Date
Principal Global Investors, LLC	Large Cap	S&P 500	12/31/1994
Principal Global Investors, LLC	International Core	MSCI Net EAFE	12/31/1994
Principal Global Investors, LLC	Fixed Income Core	Lehman Aggregate Bond Index	12/31/1994
Manning & Napier Advisors, Inc.	Small Cap	Russell 2000 Index	01/31/2008
Prudential Real Estate Investors	Real Estate	NCREIF National ODCE	03/31/2008

Asset Allocation Policy

Asset Class	Minimum	Target	Maximum
Domestic Equity	30%	25%	20%
International Core	25%	20%	15%
Small Cap Core	20%	15%	10%
Real Estate	10%	15%	20%
Fixed Income Core	20%	25%	30%

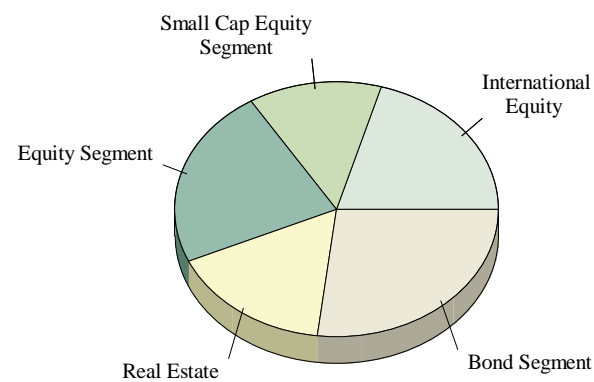
COMPOSITE ASSET ALLOCATION

TOTAL MARKET VALUE
AS OF MARCH 31, 2008
\$59,978,049



	Value	Percent
Bond Segment	16,168,890	26.96
Equity Segment	13,877,505	23.14
International Equity	11,894,116	19.83
Real Estate	9,600,000	16.01
Small Cap Equity Segment	8,437,538	14.06

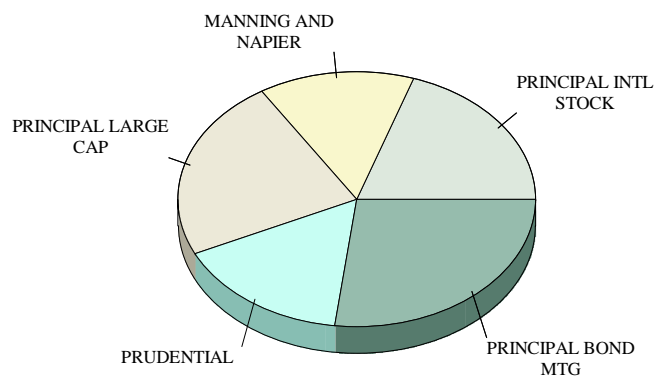
TOTAL MARKET VALUE
AS OF JUNE 30, 2008
\$58,628,061



	Value	Percent
Bond Segment	15,772,301	26.90
Equity Segment	13,363,521	22.79
International Equity	12,041,981	20.54
Real Estate	9,642,387	16.45
Small Cap Equity Segment	7,807,871	13.32

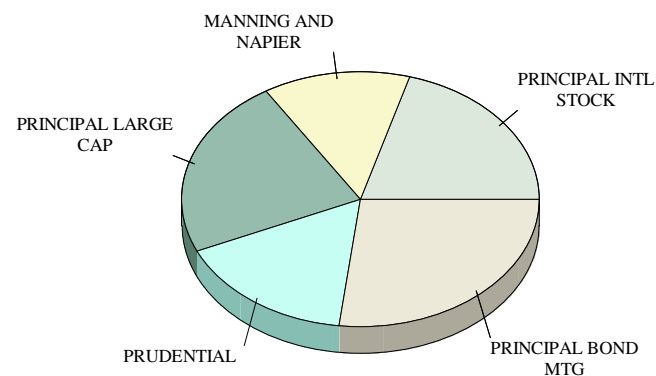
COMPOSITE MANAGER ASSET ALLOCATION

TOTAL MARKET VALUE
ON MARCH 31, 2008
\$59,978,049



	Value	Percent
PRINCIPAL BOND MTG	16,168,890	26.96
PRINCIPAL LARGE CAP	13,877,505	23.14
PRINCIPAL INTL STOCK	11,894,116	19.83
PRUDENTIAL	9,600,000	16.01
MANNING AND NAPIER	8,437,538	14.06

TOTAL MARKET VALUE
ON JUNE 30, 2008
\$58,628,061



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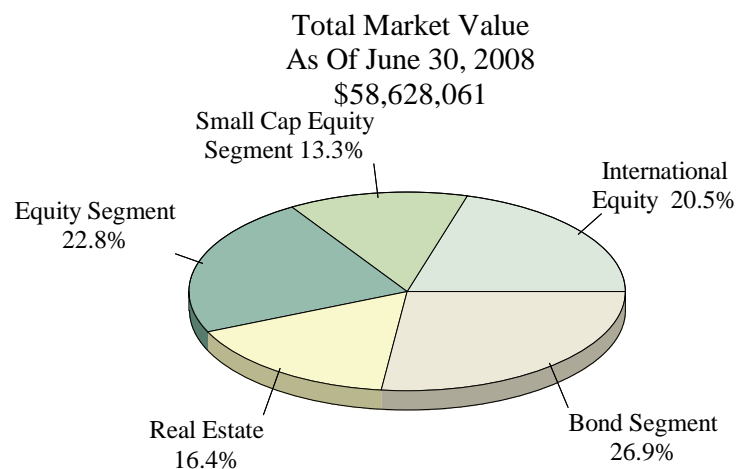
Profile

COMPOSITE	
Benchmark:	POLICY INDEX
Inception Date:	December 31, 2001

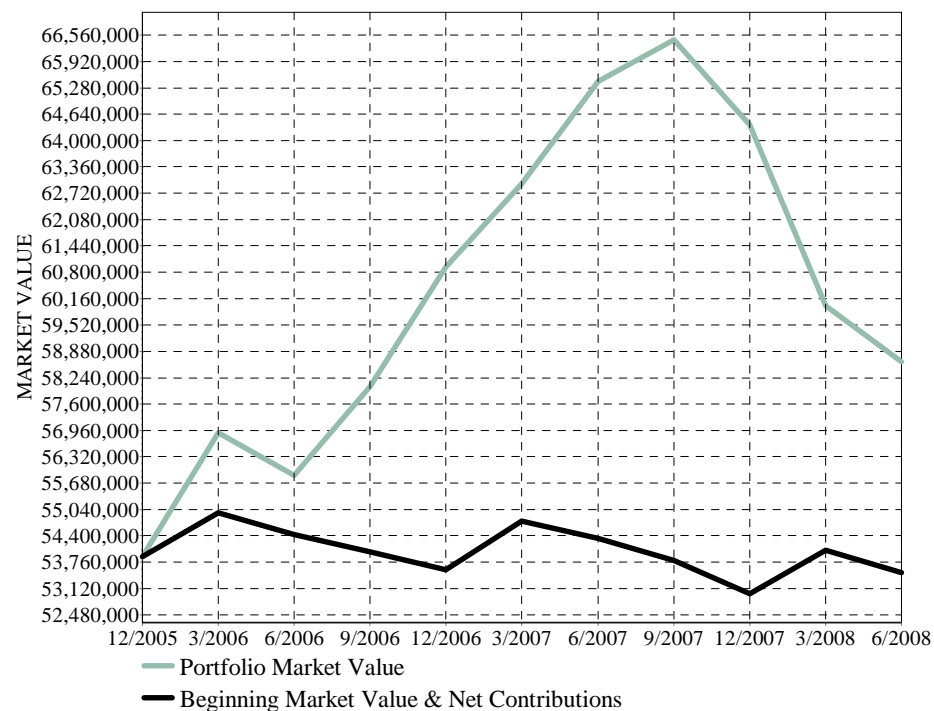
Account Reconciliation

Source	Quarter	Year to Date	12/2005 - 6/2007
Beginning Value	59,978,049	64,380,522	53,896,652
Net Flows	-543,054	513,833	-390,485
Investment G/L	-806,934	-6,266,294	5,121,894
Ending Value	58,628,061	58,628,061	58,628,061

Asset Allocation



Source Of Portfolio Growth

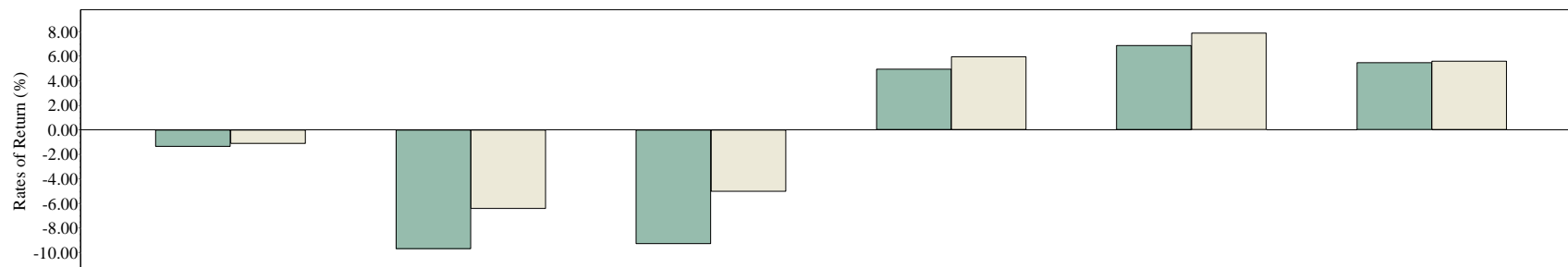


COMPOSITE PERFORMANCE SUMMARY

	Qtr	Ytd	1 Yr	3 Yr	5 Yr	Incept	Market Value	% of Assets
COMPOSITE	-1.35	-9.69	-9.30	4.96	6.88	5.48	\$58,628,061	
POLICY INDEX	-1.12	-6.40	-5.02	6.00	7.91	5.61		
PRINCIPAL LARGE CAP	-2.66	-12.02	-13.37	4.15	7.41	-	\$13,363,521	22.79%
S&P 500	-2.73	-11.91	-13.12	4.41	7.58	-		
Universe Median	-0.89	-10.24	-9.99	5.62	8.94	-		
Quartile Ranking	72	76	74	78	80	-		
PRINCIPAL INTL STOCK	1.65	-8.55	-5.61	18.55	21.01	-	\$12,041,981	20.54%
MSCI NET EAFE	-2.25	-10.96	-10.61	12.84	16.67	-		
Universe Median	-1.13	-10.14	-7.30	15.83	18.87	-		
Quartile Ranking	15	32	40	29	32	-		
MANNING AND NAPIER	-7.46	-	-	-	-	-	\$7,807,871	13.32%
RUSSELL 2000	0.58	-	-	-	-	-		
Universe Median	1.63	-	-	-	-	-		
Quartile Ranking	99	-	-	-	-	-		
PRINCIPAL BOND MTG	-0.43	-2.17	0.77	2.30	3.22	-	\$15,772,301	26.90%
LB AGGREGATE BOND	-1.02	1.13	7.13	4.08	3.86	-		
Universe Median	-0.99	1.38	7.18	4.27	3.90	-		
Quartile Ranking	13	99	99	99	94	-		
PRUDENTIAL	0.66	-	-	-	-	-	\$9,642,387	16.45%
NCREIF ODCE INDEX	0.40	-	-	-	-	-		

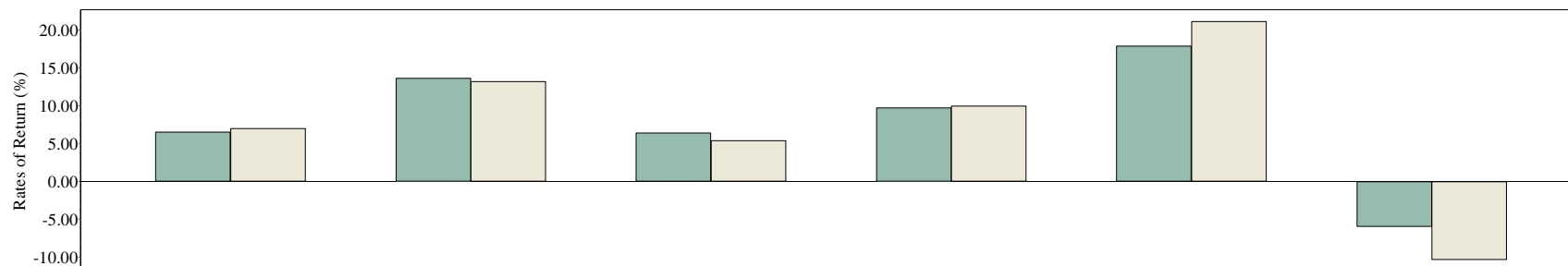
COMPOSITE - TOTAL FUND 12/2001 Through 6/2008

Trailing Returns



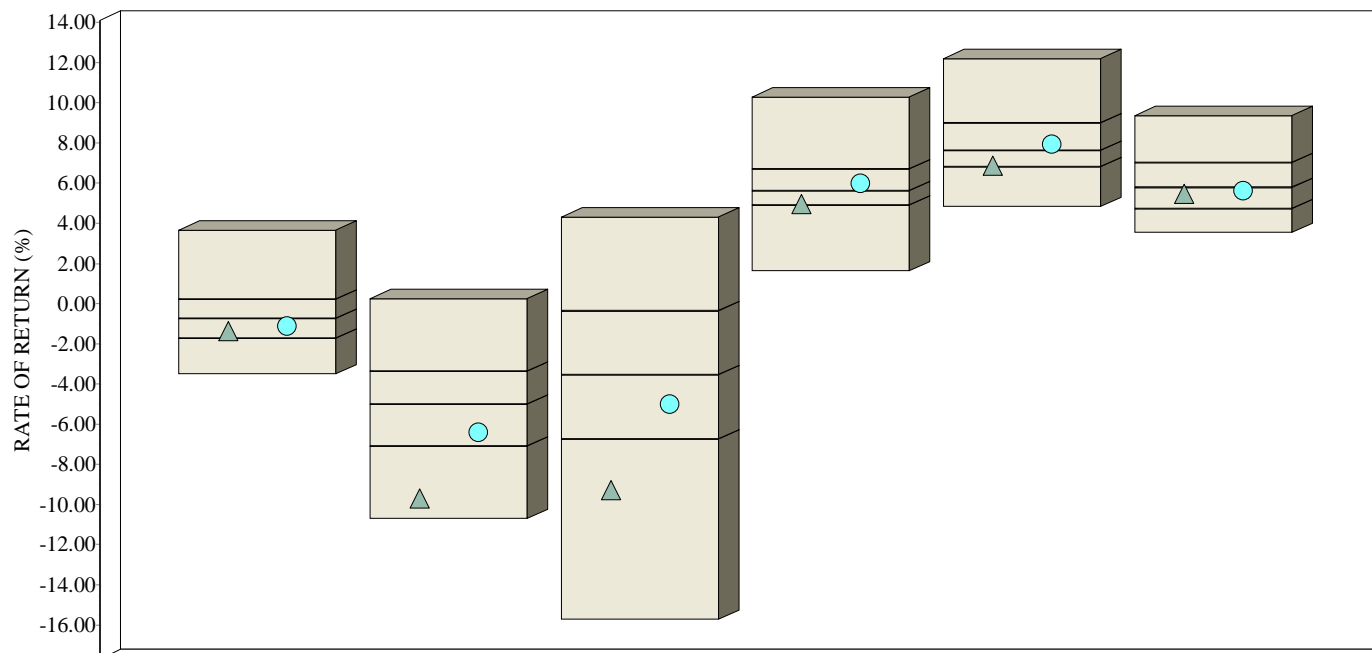
	1 Qtr	YTD	1 Yr	3 Yr	5 Yr	Since Inception
TOTAL FUND	-1.35	-9.69	-9.30	4.96	6.88	5.48
POLICY INDEX	-1.12	-6.40	-5.02	6.00	7.91	5.61
Difference	-0.24	-3.29	-4.28	-1.04	-1.03	-0.13

Calendar Year Returns



	2007	2006	2005	2004	2003	2002
TOTAL FUND	6.52	13.65	6.43	9.71	17.89	-6.01
POLICY INDEX	6.99	13.20	5.40	9.97	21.12	-10.38
Difference	-0.47	0.45	1.04	-0.26	-3.22	4.37

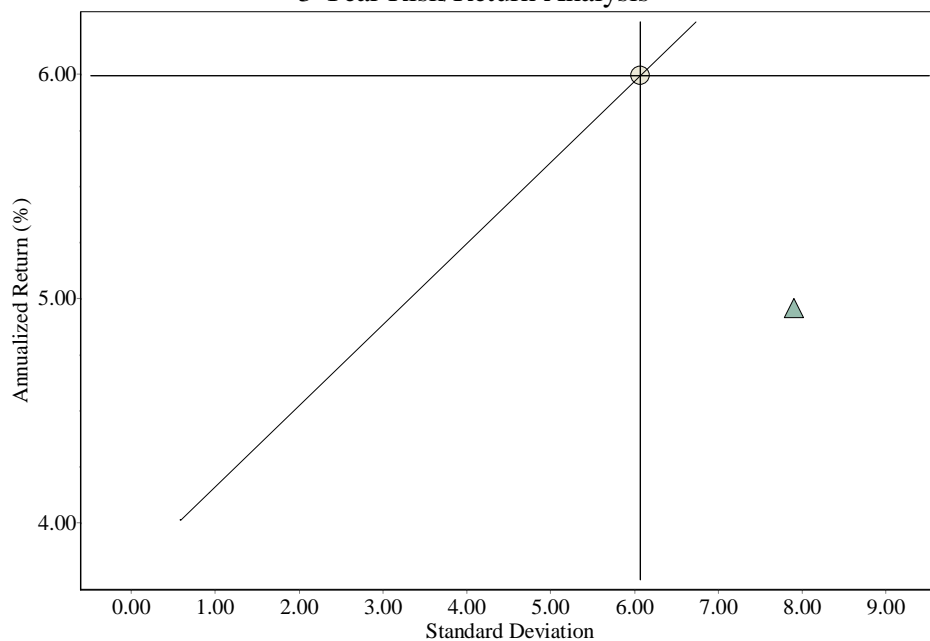
QUARTILE RANKING ANALYSIS TOTAL FUND AGAINST BALANCED MANAGERS



		<u>LATEST QUARTER</u>		<u>CALENDAR YTD</u>		<u>ONE YEAR</u>		<u>THREE YEARS</u>		<u>FIVE YEARS</u>		<u>SINCE INCEPTION</u>	
	HIGHEST VALUE	3.66		0.25		4.30		10.28		12.20		9.37	
	FIRST QUARTILE	0.22		-3.37		-0.36		6.69		9.00		6.99	
	MEDIAN VALUE	-0.74		-5.02		-3.55		5.60		7.61		5.78	
	THIRD QUARTILE	-1.72		-7.09		-6.76		4.89		6.79		4.70	
	LOWEST VALUE	-3.52		-10.71		-15.74		1.61		4.80		3.53	
	MEAN	-0.61		-5.17		-3.85		5.83		7.83		5.96	
		<u>LATEST QUARTER</u>		<u>CALENDAR YTD</u>		<u>ONE YEAR</u>		<u>THREE YEARS</u>		<u>FIVE YEARS</u>		<u>SINCE INCEPTION</u>	
		<u>RETURN</u>	<u>RANK</u>	<u>RETURN</u>	<u>RANK</u>	<u>RETURN</u>	<u>RANK</u>	<u>RETURN</u>	<u>RANK</u>	<u>RETURN</u>	<u>RANK</u>	<u>RETURN</u>	<u>RANK</u>
▲	COMPOSITE	-1.35	67	-9.69	96	-9.30	90	4.96	74	6.88	71	5.48	57
●	POLICY INDEX	-1.12	62	-6.40	68	-5.02	63	6.00	41	7.91	42	5.61	53

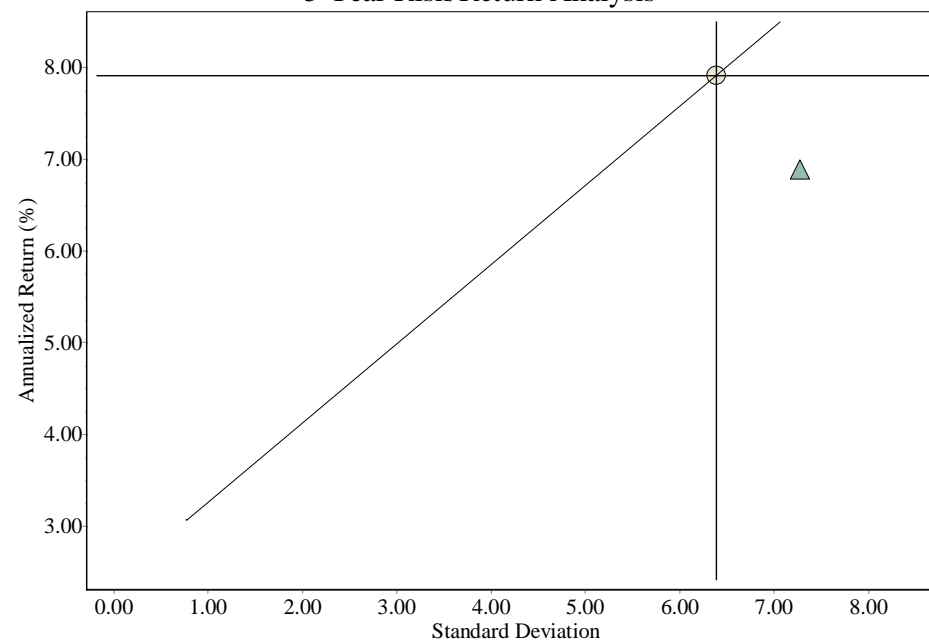
COMPOSITE RETURN VS RISK

3 Year Risk/Return Analysis



	Return	Std Dev	Alpha	Beta	R-Squared
△ COMPOSITE	4.96	7.90	-1.53	1.31	98.15
○ POLICY INDEX	6.00	6.07	0.00	1.00	100.00

5 Year Risk/Return Analysis



	Return	Std Dev	Alpha	Beta	R-Squared
△ COMPOSITE	6.88	7.28	-1.41	1.10	95.25
○ POLICY INDEX	7.91	6.39	0.00	1.00	100.00

**COMPOSITE
TOTAL FUND MARKET VALUES AND CASH FLOWS**

Period Ending	Beginning Value	Net Flows	Investment Gain/Loss	Ending Value	Return (%)
Mar 2002	N/A	0	0	N/A	0.28
Jun 2002	N/A	0	41,225,900	41,225,900	-3.50
Sep 2002	41,225,900	0	-3,800,429	37,425,471	-7.84
Dec 2002	37,425,471	0	1,808,362	39,233,833	5.39
Mar 2003	39,233,833	0	-185,531	39,048,302	-1.93
Jun 2003	39,048,302	0	3,648,601	42,696,903	10.03
Sep 2003	42,696,903	0	289,805	42,986,708	1.36
Dec 2003	42,986,708	0	3,093,328	46,080,036	7.79
Mar 2004	46,080,036	0	2,258,325	48,338,361	2.56
Jun 2004	48,338,361	0	-352,977	47,985,384	-0.23
Sep 2004	47,985,384	0	-166,674	47,818,710	0.45
Dec 2004	47,818,710	0	3,057,601	50,876,311	6.74
Mar 2005	50,876,311	0	487,401	51,363,712	-1.31
Jun 2005	51,363,712	0	443,603	51,807,315	1.99
Sep 2005	51,807,315	0	1,424,511	53,231,826	3.53
Dec 2005	53,231,826	-398,198	1,063,024	53,896,652	2.14
Mar 2006	53,896,652	1,065,642	1,939,241	56,901,535	3.59
Jun 2006	56,901,535	-531,862	-499,858	55,869,815	-0.88
Sep 2006	55,869,815	-424,358	2,576,336	58,021,793	4.64
Dec 2006	58,021,793	-433,628	3,340,857	60,929,022	5.79
Mar 2007	60,929,022	1,188,243	828,248	62,945,513	1.36
Jun 2007	62,945,513	-424,423	2,911,209	65,432,299	4.65
Sep 2007	65,432,299	-537,907	1,549,901	66,444,293	2.38
Dec 2007	66,444,293	-806,025	-1,257,746	64,380,522	-1.90
Mar 2008	64,380,522	1,056,887	-5,459,360	59,978,049	-8.45
Jun 2008	59,978,049	-543,054	-806,934	58,628,061	-1.35

**COMPOSITE
QUARTERLY ASSET ALLOCATION (%)**

	BOND	EQUITY	INTERNATIONAL EQUITY	SMALL CAP EQ	REAL ESTATE
Period Ending	Actual Weight	Actual Weight	Actual Weight	Actual Weight	Actual Weight
03/31/2007	28.39	55.90	15.71	N/A	N/A
06/30/2007	26.29	57.23	16.48	N/A	N/A
09/30/2007	25.87	57.20	16.93	N/A	N/A
12/31/2007	26.56	56.41	17.02	N/A	N/A
03/31/2008	26.96	23.14	19.83	14.07	16.01
06/30/2008	26.90	22.79	20.54	13.32	16.45

Profile

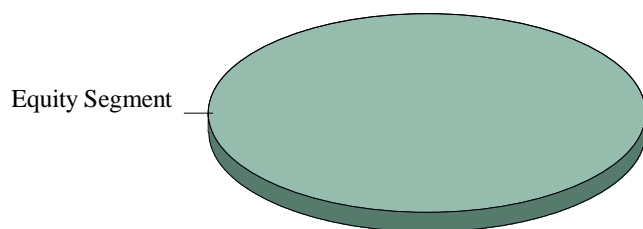
PRINCIPAL LARGE CAP STOCK INDEX	
Style:	Large Cap
Benchmark:	S&P 500
Universe:	Large Cap Managers
Inception Date:	December 31, 1994

Account Reconciliation

Source	Quarter	Year to Date	12/2005 - 6/2007
Beginning Value	13,877,505	36,319,483	28,505,988
Net Flows	-146,790	-19,716,802	-18,244,114
Investment G/L	-367,194	-3,239,160	3,101,647
Ending Value	13,363,521	13,363,521	13,363,521

Asset Allocation

Total Market Value
As Of June 30, 2008
\$13,363,521



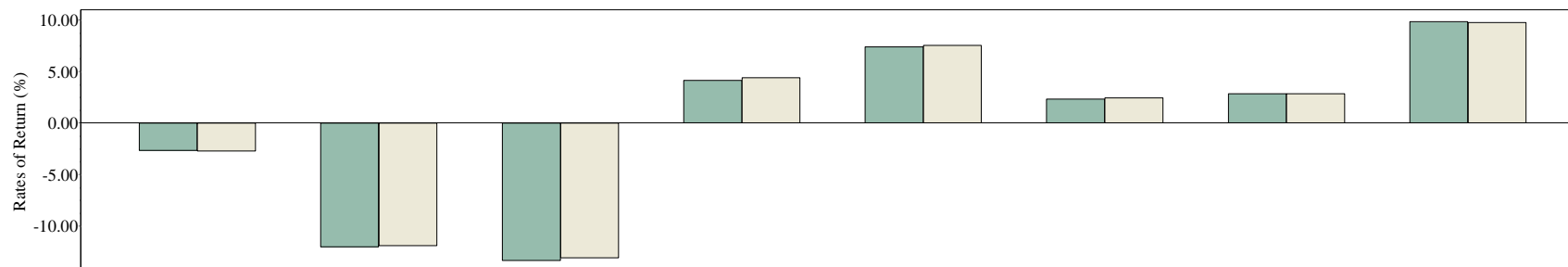
Source Of Portfolio Growth



PRINCIPAL LARGE CAP STOCK INDEX - TOTAL FUND

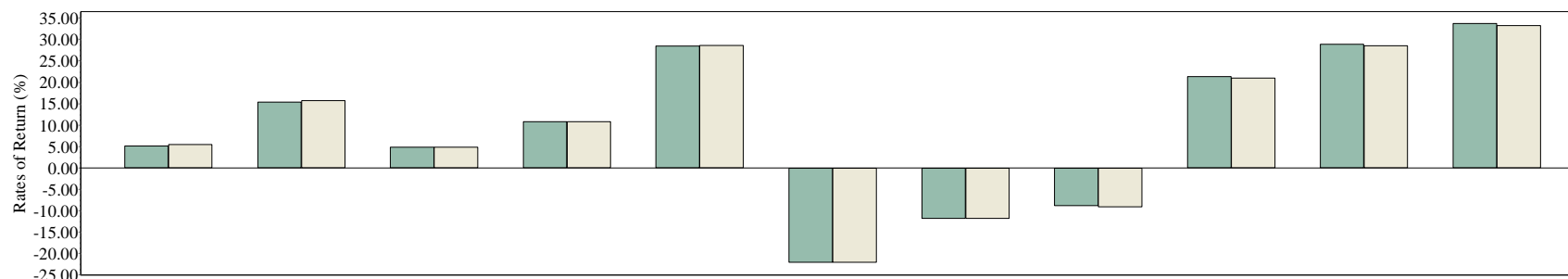
12/1994 Through 6/2008

Trailing Returns



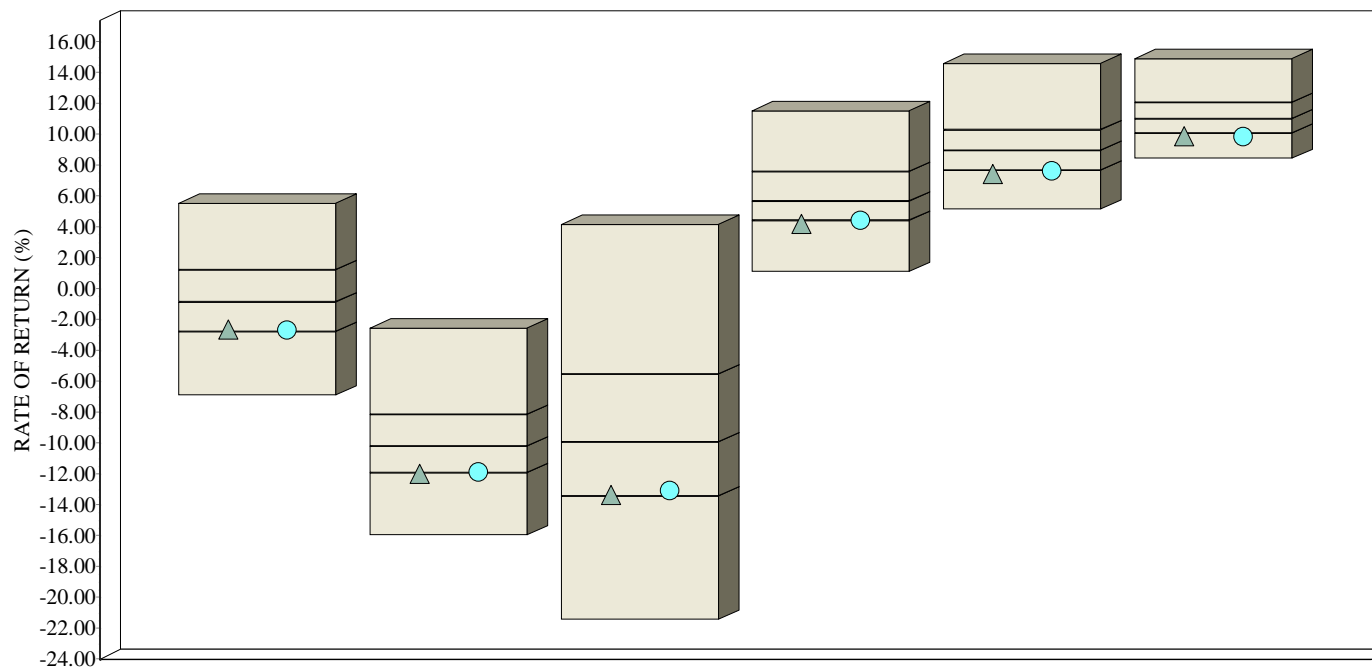
	1 Qtr	YTD	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr	Since Inception
TOTAL FUND	-2.66	-12.02	-13.37	4.15	7.41	2.35	2.87	9.86
S&P 500	-2.73	-11.91	-13.12	4.41	7.58	2.45	2.88	9.79
Difference	0.07	-0.11	-0.25	-0.25	-0.17	-0.11	-0.01	0.07

Calendar Year Returns



	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
TOTAL FUND	5.21	15.44	4.92	10.83	28.53	-22.12	-11.90	-8.83	21.41	28.98	33.74
S&P 500	5.49	15.80	4.90	10.87	28.69	-22.11	-11.88	-9.11	21.04	28.58	33.36
Difference	-0.29	-0.36	0.02	-0.04	-0.17	-0.01	-0.02	0.27	0.37	0.39	0.38

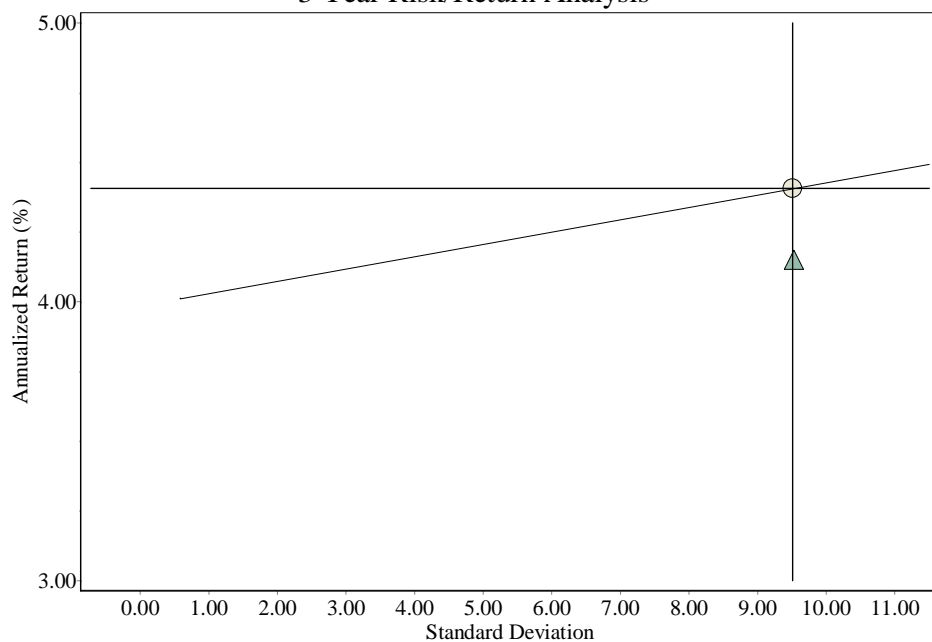
QUARTILE RANKING ANALYSIS TOTAL FUND AGAINST LARGE CAP MANAGERS



	LATEST QUARTER		YEAR-TO- DATE		ONE YEAR		THREE YEARS		FIVE YEARS		SINCE INCEPTION	
HIGHEST VALUE		5.50		-2.59		4.11		11.49		14.56		14.88
FIRST QUARTILE		1.17		-8.21		-5.58		7.52		10.27		12.02
MEDIAN VALUE		-0.89		-10.24		-9.99		5.62		8.94		10.98
THIRD QUARTILE		-2.80		-11.95		-13.48		4.38		7.64		10.02
LOWEST VALUE		-6.93		-16.03		-21.49		1.05		5.10		8.41
MEAN		-0.83		-10.07		-9.50		5.91		9.13		11.13
	LATEST QUARTER		YEAR-TO- DATE		ONE YEAR		THREE YEARS		FIVE YEARS		SINCE INCEPTION	
	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK
▲ PRINCIPAL LARGE CAP	-2.66	72	-12.02	76	-13.37	74	4.15	78	7.41	80	9.86	82
● S&P 500	-2.73	74	-11.91	74	-13.12	72	4.41	74	7.58	76	9.79	86

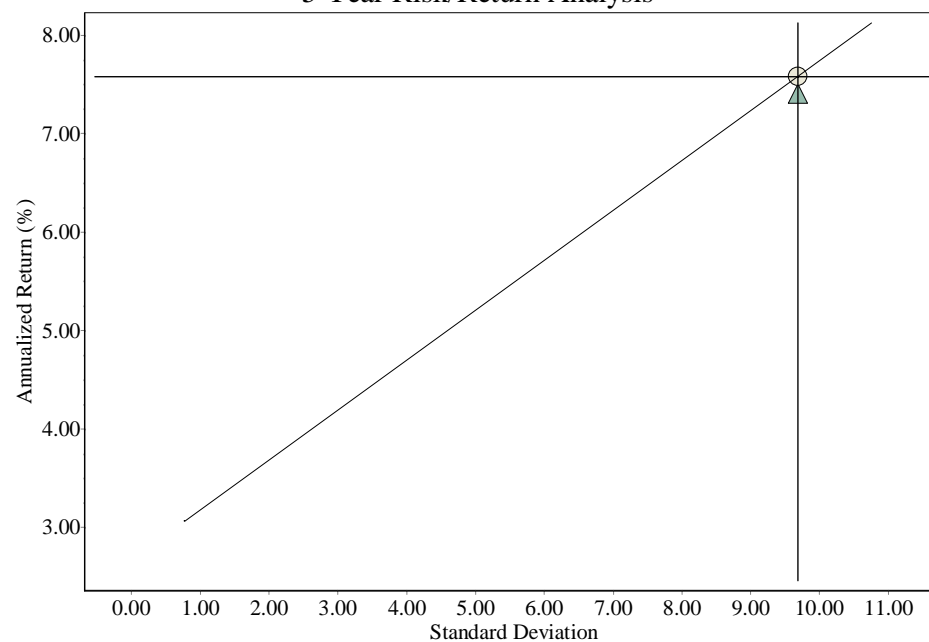
PRINCIPAL LARGE CAP STOCK INDEX RETURN VS RISK

3 Year Risk/Return Analysis



	Return	Std Dev	Alpha	Beta	R-Squared
▲ PRINCIPAL LARGE CAP	4.15	9.53	-0.25	1.00	99.98
○ S&P 500	4.41	9.51	0.00	1.00	100.00

5 Year Risk/Return Analysis



	Return	Std Dev	Alpha	Beta	R-Squared
▲ PRINCIPAL LARGE CAP	7.41	9.69	-0.17	1.00	99.99
○ S&P 500	7.58	9.69	0.00	1.00	100.00

**PRINCIPAL LARGE CAP STOCK INDEX
TOTAL FUND MARKET VALUES AND CASH FLOWS**

Period Ending	Beginning Value	Net Flows	Investment Gain/Loss	Ending Value	Return (%)
Mar 1995	N/A	0	0	N/A	9.80
Jun 1995	N/A	0	0	N/A	9.62
Sep 1995	N/A	0	0	N/A	8.01
Dec 1995	N/A	0	0	N/A	6.11
Mar 1996	N/A	0	0	N/A	5.40
Jun 1996	N/A	0	0	N/A	4.58
Sep 1996	N/A	0	0	N/A	3.17
Dec 1996	N/A	0	0	N/A	8.42
Mar 1997	N/A	0	0	N/A	2.77
Jun 1997	N/A	0	0	N/A	17.49
Sep 1997	N/A	0	0	N/A	7.58
Dec 1997	N/A	0	0	N/A	2.96
Mar 1998	N/A	0	0	N/A	14.01
Jun 1998	N/A	0	0	N/A	3.37
Sep 1998	N/A	0	0	N/A	-9.83
Dec 1998	N/A	0	0	N/A	21.37
Mar 1999	N/A	0	0	N/A	5.04
Jun 1999	N/A	0	0	N/A	7.12
Sep 1999	N/A	0	0	N/A	-6.15
Dec 1999	N/A	0	0	N/A	14.97
Mar 2000	N/A	0	0	N/A	2.34
Jun 2000	N/A	0	0	N/A	-2.58
Sep 2000	N/A	0	0	N/A	-0.92
Dec 2000	N/A	0	0	N/A	-7.71
Mar 2001	N/A	0	0	N/A	-11.90
Jun 2001	N/A	0	0	N/A	5.73
Sep 2001	N/A	0	0	N/A	-14.59
Dec 2001	N/A	0	0	N/A	10.74

**PRINCIPAL LARGE CAP STOCK INDEX
TOTAL FUND MARKET VALUES AND CASH FLOWS**

Period Ending	Beginning Value	Net Flows	Investment Gain/Loss	Ending Value	Return (%)
Mar 2002	N/A	0	0	N/A	0.25
Jun 2002	N/A	0	17,215,641	17,215,641	-13.39
Sep 2002	17,215,641	0	-2,935,912	14,279,729	-17.27
Dec 2002	14,279,729	0	1,282,740	15,562,469	8.42
Mar 2003	15,562,469	0	451,032	16,013,501	-3.16
Jun 2003	16,013,501	0	3,236,286	19,249,787	15.36
Sep 2003	19,249,787	0	551,812	19,801,599	2.63
Dec 2003	19,801,599	0	2,464,558	22,266,157	12.10
Mar 2004	22,266,157	0	1,625,488	23,891,645	1.67
Jun 2004	23,891,645	0	482,564	24,374,209	1.72
Sep 2004	24,374,209	0	-410,246	23,963,963	-1.87
Dec 2004	23,963,963	0	2,293,569	26,257,532	9.21
Mar 2005	26,257,532	0	162,832	26,420,364	-2.12
Jun 2005	26,420,364	84,114	341,273	26,845,751	1.37
Sep 2005	26,845,751	85,603	943,077	27,874,431	3.59
Dec 2005	27,874,431	74,278	557,279	28,505,988	2.08
Mar 2006	28,505,988	820,773	1,174,698	30,501,459	4.11
Jun 2006	30,501,459	73,642	-458,574	30,116,527	-1.50
Sep 2006	30,116,527	86,022	1,688,372	31,890,921	5.60
Dec 2006	31,890,921	85,113	2,107,350	34,083,384	6.60
Mar 2007	34,083,384	892,278	208,451	35,184,113	0.61
Jun 2007	35,184,113	77,971	2,183,321	37,445,405	6.20
Sep 2007	37,445,405	-170,279	732,365	38,007,491	1.96
Dec 2007	38,007,491	-392,832	-1,295,176	36,319,483	-3.43
Mar 2008	36,319,483	-19,570,012	-2,871,966	13,877,505	-9.62
Jun 2008	13,877,505	-146,790	-367,194	13,363,521	-2.66

**PRINCIPAL LARGE CAP STOCK INDEX
 QUARTERLY ASSET ALLOCATION (%)**

EQUITY

Period Ending	Actual Weight
03/31/2006	100.00
06/30/2006	100.00
09/30/2006	100.00
12/31/2006	100.00
03/31/2007	100.00
06/30/2007	100.00

Profile

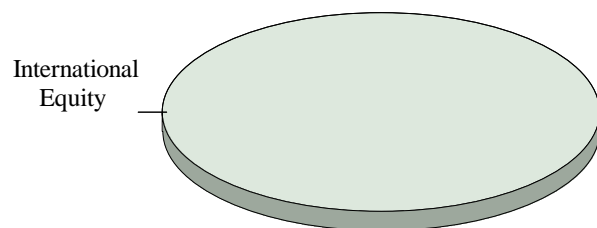
PRINCIPAL INTERNATIONAL STOCK	
Style:	Foreign Equity
Benchmark:	MSCI NET EAFE
Universe:	Foreign Equity Managers
Inception Date:	December 31, 1994

Account Reconciliation

Source	Quarter	Year to Date	12/2005 - 6/2007
Beginning Value	11,894,116	10,960,165	7,130,692
Net Flows	-47,726	2,011,271	2,248,175
Investment G/L	195,591	-929,455	2,663,114
Ending Value	12,041,981	12,041,981	12,041,981

Asset Allocation

Total Market Value
As Of June 30, 2008
\$12,041,981



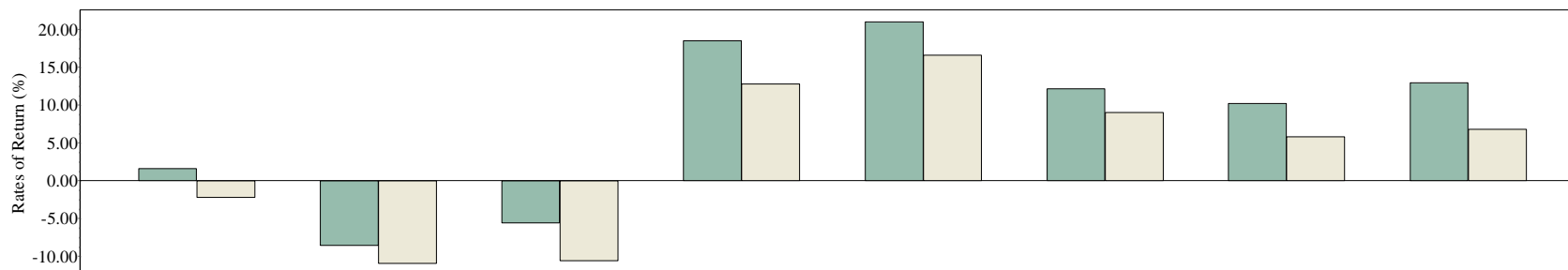
Source Of Portfolio Growth



PRINCIPAL INTERNATIONAL STOCK - TOTAL FUND

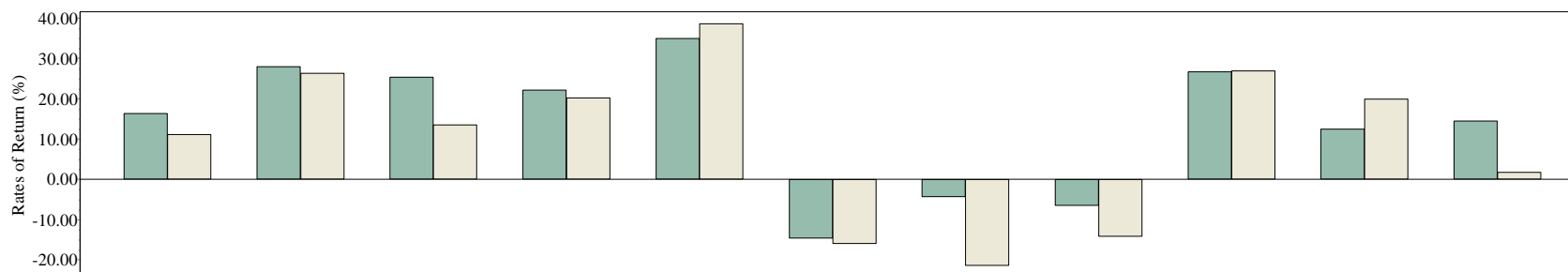
12/1994 Through 6/2008

Trailing Returns



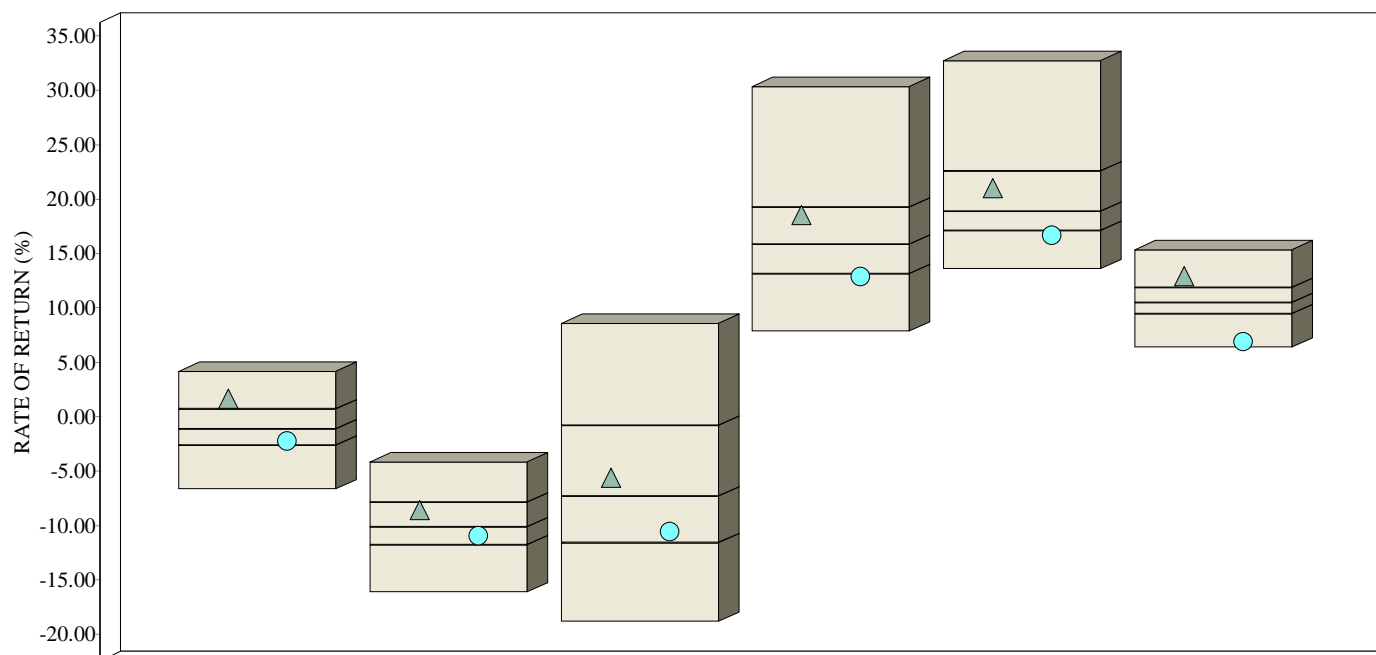
	1 Qtr	YTD	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr	Since Inception
TOTAL FUND	1.65	-8.55	-5.61	18.55	21.01	12.19	10.29	12.96
MSCI NET EAFE	-2.25	-10.96	-10.61	12.84	16.67	9.02	5.83	6.87
Difference	3.90	2.41	5.01	5.71	4.35	3.18	4.46	6.09

Calendar Year Returns



	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
TOTAL FUND	16.43	27.96	25.37	22.19	34.99	-14.65	-4.33	-6.45	26.78	12.46	14.49
MSCI NET EAFE	11.17	26.34	13.54	20.24	38.60	-15.94	-21.44	-14.16	26.97	19.99	1.77
Difference	5.26	1.62	11.84	1.95	-3.61	1.29	17.10	7.71	-0.20	-7.53	12.72

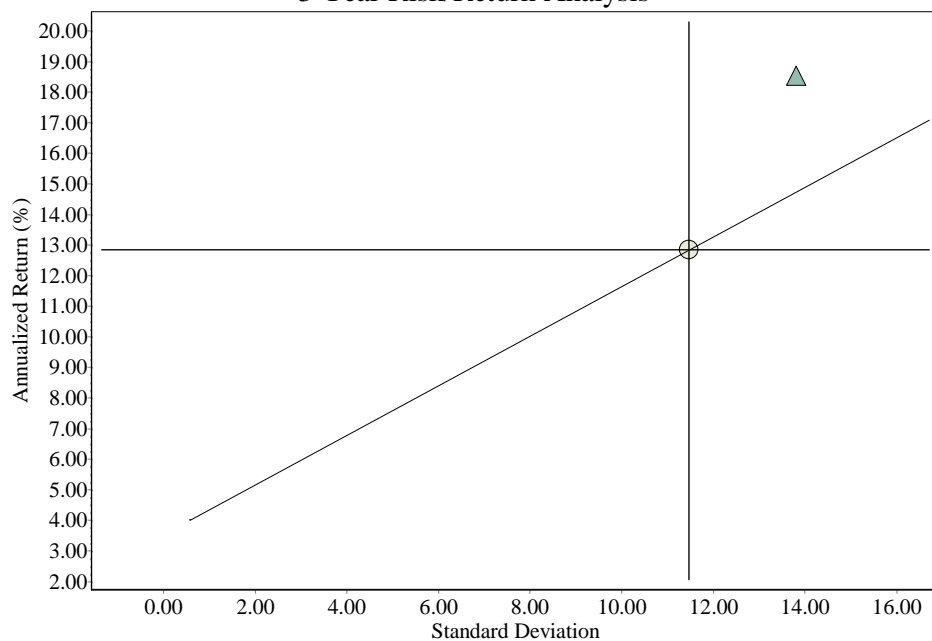
QUARTILE RANKING ANALYSIS TOTAL FUND AGAINST FOREIGN EQUITY MANAGERS



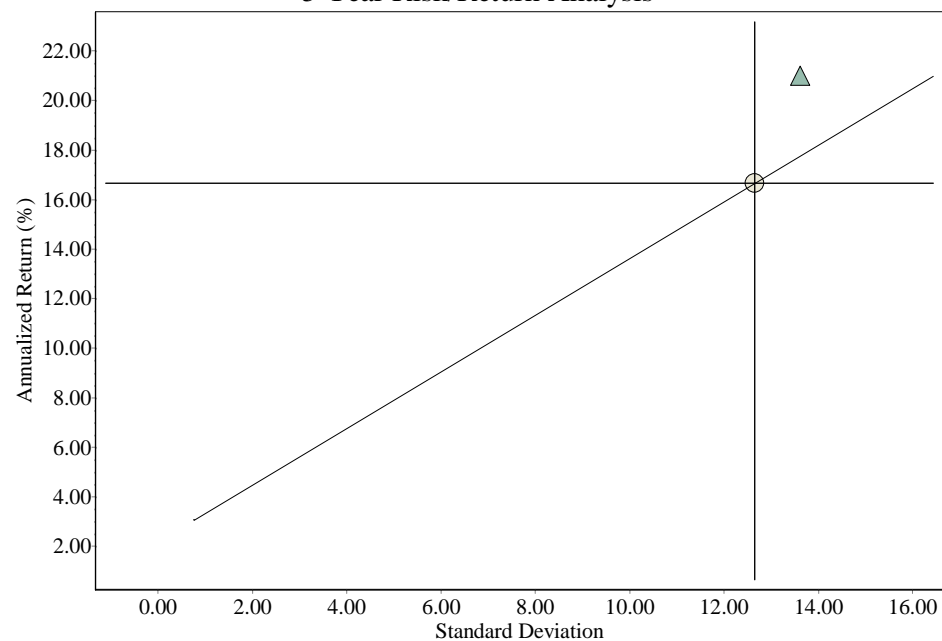
	LATEST QUARTER		YEAR-TO- DATE		ONE YEAR		THREE YEARS		FIVE YEARS		SINCE INCEPTION	
HIGHEST VALUE	4.15		-4.19		8.55		30.34		32.74		15.29	
FIRST QUARTILE	0.70		-7.86		-0.84		19.24		22.56		11.86	
MEDIAN VALUE	-1.13		-10.14		-7.30		15.83		18.87		10.46	
THIRD QUARTILE	-2.62		-11.77		-11.58		13.11		17.08		9.46	
LOWEST VALUE	-6.70		-16.18		-18.86		7.85		13.58		6.36	
MEAN	-1.06		-9.84		-6.19		16.94		20.37		10.69	
	LATEST QUARTER		YEAR-TO- DATE		ONE YEAR		THREE YEARS		FIVE YEARS		SINCE INCEPTION	
	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK
▲ PRINCIPAL INTL STOCK	1.65	15	-8.55	32	-5.61	40	18.55	29	21.01	32	12.96	14
● MSCI NET EAFE	-2.25	69	-10.96	63	-10.61	69	12.84	77	16.67	80	6.87	97

PRINCIPAL INTERNATIONAL STOCK RETURN VS RISK

3 Year Risk/Return Analysis



5 Year Risk/Return Analysis



**PRINCIPAL INTERNATIONAL STOCK
TOTAL FUND MARKET VALUES AND CASH FLOWS**

Period Ending	Beginning Value	Net Flows	Investment Gain/Loss	Ending Value	Return (%)
Mar 1995	N/A	0	0	N/A	-0.66
Jun 1995	N/A	0	0	N/A	9.50
Sep 1995	N/A	0	0	N/A	5.14
Dec 1995	N/A	0	0	N/A	1.88
Mar 1996	N/A	0	0	N/A	8.60
Jun 1996	N/A	0	0	N/A	4.19
Sep 1996	N/A	0	0	N/A	3.20
Dec 1996	N/A	0	0	N/A	8.40
Mar 1997	N/A	0	0	N/A	3.66
Jun 1997	N/A	0	0	N/A	10.83
Sep 1997	N/A	0	0	N/A	5.70
Dec 1997	N/A	0	0	N/A	-5.72
Mar 1998	N/A	0	0	N/A	15.53
Jun 1998	N/A	0	0	N/A	-0.26
Sep 1998	N/A	0	0	N/A	-17.09
Dec 1998	N/A	0	0	N/A	17.71
Mar 1999	N/A	0	0	N/A	3.22
Jun 1999	N/A	0	0	N/A	2.95
Sep 1999	N/A	0	0	N/A	2.66
Dec 1999	N/A	0	0	N/A	16.21
Mar 2000	N/A	0	0	N/A	3.60
Jun 2000	N/A	0	0	N/A	-1.33
Sep 2000	N/A	0	0	N/A	-9.24
Dec 2000	N/A	0	0	N/A	0.83
Mar 2001	N/A	0	0	N/A	3.60
Jun 2001	N/A	0	0	N/A	-0.75
Sep 2001	N/A	0	0	N/A	-15.01
Dec 2001	N/A	0	0	N/A	9.47

**PRINCIPAL INTERNATIONAL STOCK
TOTAL FUND MARKET VALUES AND CASH FLOWS**

Period Ending	Beginning Value	Net Flows	Investment Gain/Loss	Ending Value	Return (%)
Mar 2002	N/A	0	0	N/A	-0.48
Jun 2002	N/A	0	3,793,548	3,793,548	-1.43
Sep 2002	3,793,548	0	-691,999	3,101,549	-18.28
Dec 2002	3,101,549	0	213,601	3,315,150	6.47
Mar 2003	3,315,150	0	-257,809	3,057,341	-7.88
Jun 2003	3,057,341	0	554,222	3,611,563	17.86
Sep 2003	3,611,563	0	207,171	3,818,734	5.62
Dec 2003	3,818,734	0	685,629	4,504,363	17.72
Mar 2004	4,504,363	0	219,287	4,723,650	4.24
Jun 2004	4,723,650	0	-30,296	4,693,354	-0.77
Sep 2004	4,693,354	0	89,461	4,782,815	1.89
Dec 2004	4,782,815	0	771,942	5,554,757	15.94
Mar 2005	5,554,757	0	180,760	5,735,517	0.90
Jun 2005	5,735,517	16,823	78,107	5,830,447	1.62
Sep 2005	5,830,447	17,120	880,512	6,728,079	15.34
Dec 2005	6,728,079	14,856	387,757	7,130,692	6.01
Mar 2006	7,130,692	164,155	852,303	8,147,150	11.91
Jun 2006	8,147,150	14,729	-6,802	8,155,077	-0.08
Sep 2006	8,155,077	17,204	214,408	8,386,689	2.63
Dec 2006	8,386,689	17,024	966,633	9,370,346	11.51
Mar 2007	9,370,346	178,455	339,805	9,888,606	3.61
Jun 2007	9,888,606	15,594	878,881	10,783,081	8.88
Sep 2007	10,783,081	-51,085	513,827	11,245,823	4.77
Dec 2007	11,245,823	-119,172	-166,486	10,960,165	-1.49
Mar 2008	10,960,165	2,058,997	-1,125,046	11,894,116	-10.03
Jun 2008	11,894,116	-47,726	195,591	12,041,981	1.65

**PRINCIPAL INTERNATIONAL STOCK
 QUARTERLY ASSET ALLOCATION (%)**

INTERNATIONAL EQUITY

Period Ending	Actual Weight
03/31/2006	100.00
06/30/2006	100.00
09/30/2006	100.00
12/31/2006	100.00
03/31/2007	100.00
06/30/2007	100.00

Profile

MANNING AND NAPIER	
Style:	Small Cap
Benchmark:	RUSSELL 2000
Universe:	Small Cap Managers
Inception Date:	January 31, 2008

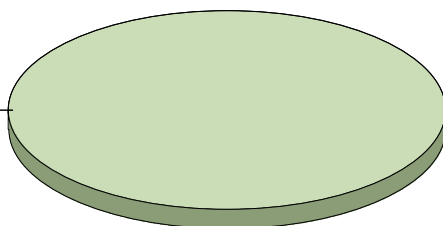
Account Reconciliation

Source	Quarter	Year to Date	3/2008-6/2008
Beginning Value	8,437,538		8,437,538
Net Flows	0	9,600,000	0
Investment G/L	-629,667	-1,792,129	-629,667
Ending Value	7,807,871	7,807,871	7,807,871

Asset Allocation

Total Market Value
As Of June 30, 2008
\$7,807,871

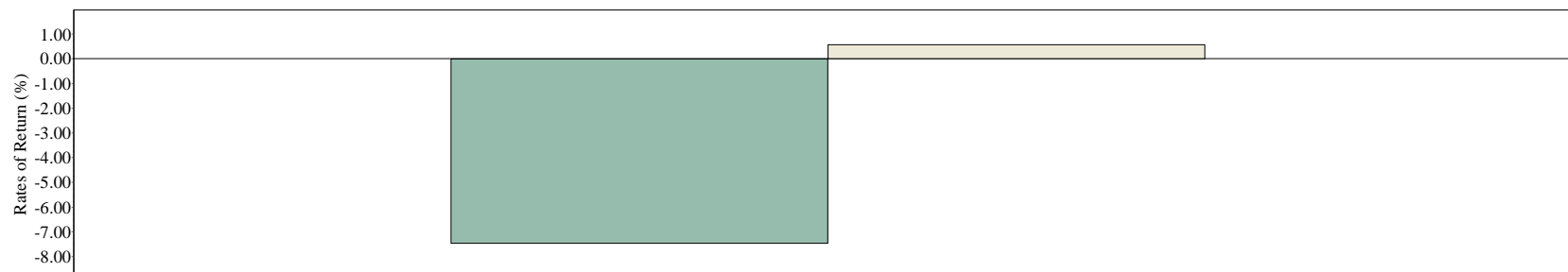
Small Cap Equity
Segment 100.0%



Source Of Portfolio Growth

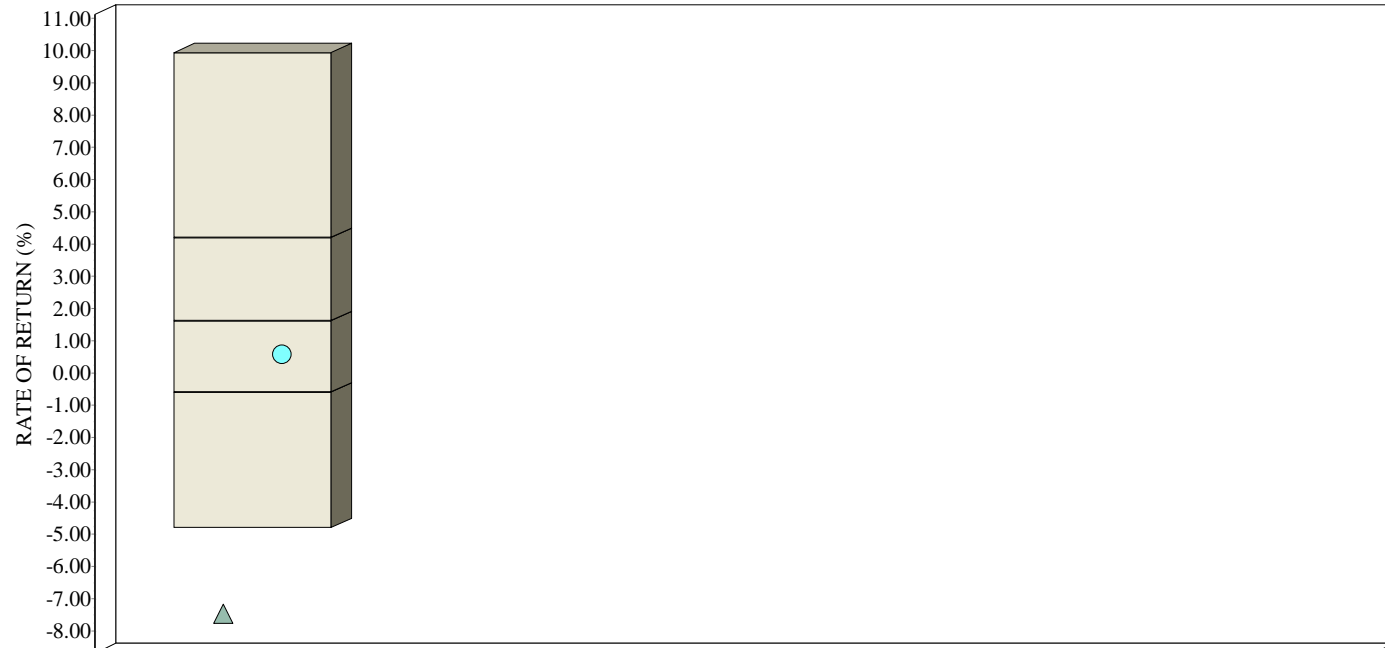
MANNING AND NAPIER - TOTAL FUND
3/2008 Through 6/2008

Trailing Returns



	Since Inception
TOTAL FUND	-7.46
RUSSELL 2000	0.58
Difference	-8.05

QUARTILE RANKING ANALYSIS TOTAL FUND AGAINST SMALL CAP MANAGERS



LATEST QUARTER	
HIGHEST VALUE	9.94
FIRST QUARTILE	4.19
MEDIAN VALUE	1.63
THIRD QUARTILE	-0.59
LOWEST VALUE	-4.80
MEAN	1.84

	LATEST QUARTER	
	RETURN	RANK
▲ MANNING AND NAPIER	-7.46	99
● RUSSELL 2000	0.58	62

**MANNING AND NAPIER
 TOTAL FUND MARKET VALUES AND CASH FLOWS**

Period Ending	Beginning Value	Net Flows	Investment Gain/Loss	Ending Value	Return (%)
Jun 2008	8,437,538	0	-629,667	7,807,871	-7.46

**MANNING AND NAPIER
QUARTERLY ASSET ALLOCATION (%)**

SMALL CAP EQ

Period Ending	Actual Weight
03/31/2008	100.00
06/30/2008	100.00

Profile

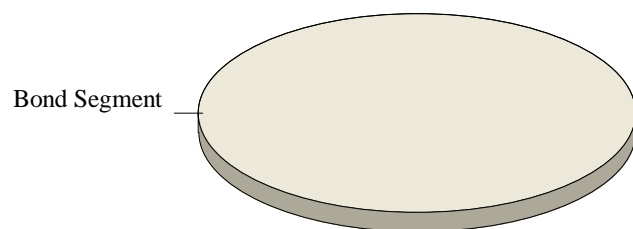
PRINCIPAL BOND AND MORTGAGE	
Style:	Core Fixed Income
Benchmark:	LB AGGREGATE BOND
Universe:	Core Fixed Income
Inception Date:	December 31, 1994

Account Reconciliation

Source	Quarter	Year to Date	12/2005 - 6/2007
Beginning Value	16,168,890	17,100,874	18,259,972
Net Flows	-327,913	-960,011	-3,573,921
Investment G/L	-68,676	-368,562	1,086,250
Ending Value	15,772,301	15,772,301	15,772,301

Asset Allocation

Total Market Value
As Of June 30, 2008
\$15,772,301

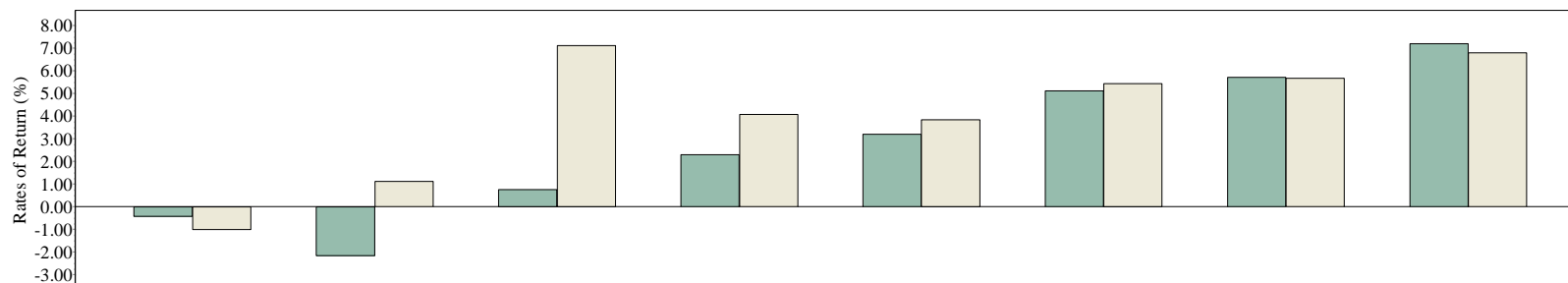


Source Of Portfolio Growth



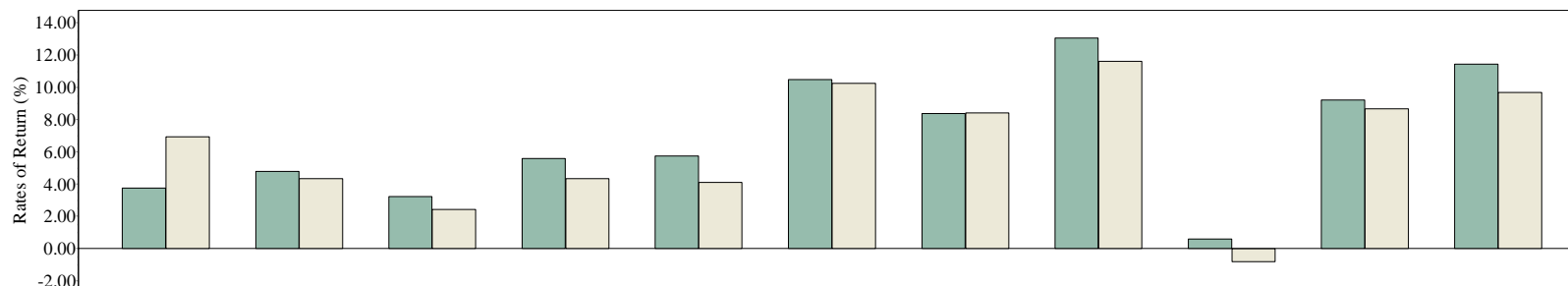
PRINCIPAL BOND AND MORTGAGE - TOTAL FUND
12/1994 Through 6/2008

Trailing Returns



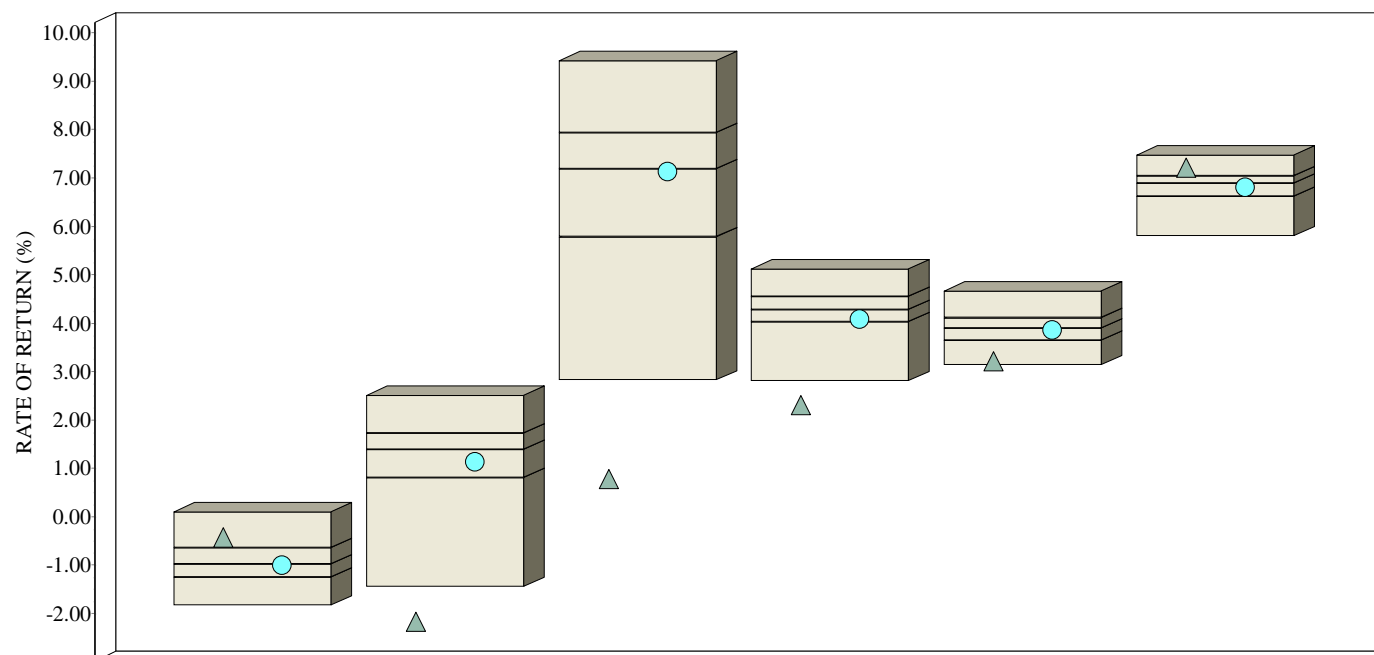
	1 Qtr	YTD	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr	Since Inception
TOTAL FUND	-0.43	-2.17	0.77	2.30	3.22	5.12	5.73	7.22
LB AGGREGATE BOND	-1.02	1.13	7.13	4.08	3.86	5.44	5.68	6.80
Difference	0.59	-3.30	-6.36	-1.78	-0.64	-0.32	0.05	0.41

Calendar Year Returns



	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
TOTAL FUND	3.77	4.79	3.24	5.60	5.76	10.50	8.39	13.09	0.60	9.23	11.44
LB AGGREGATE BOND	6.96	4.33	2.43	4.34	4.11	10.27	8.42	11.63	-0.83	8.67	9.68
Difference	-3.19	0.46	0.81	1.26	1.65	0.23	-0.04	1.46	1.43	0.55	1.76

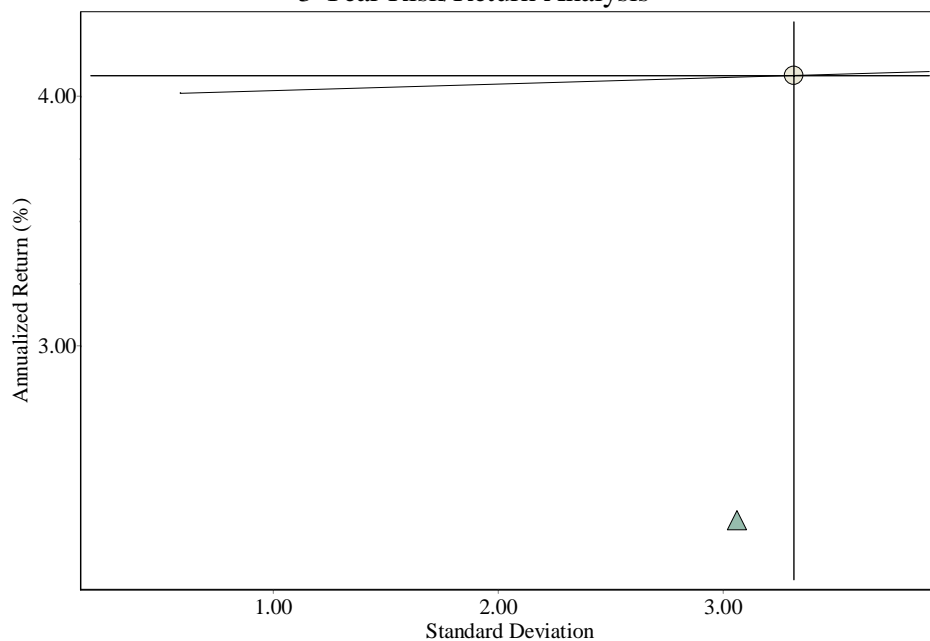
QUARTILE RANKING ANALYSIS TOTAL FUND AGAINST CORE FIXED INCOME



	LATEST QUARTER		YEAR-TO- DATE		ONE YEAR		THREE YEARS		FIVE YEARS		SINCE INCEPTION	
HIGHEST VALUE		0.09		2.51		9.43		5.12		4.66		7.47
FIRST QUARTILE		-0.64		1.73		7.94		4.55		4.10		7.04
MEDIAN VALUE		-0.99		1.38		7.18		4.27		3.90		6.88
THIRD QUARTILE		-1.25		0.81		5.79		4.02		3.64		6.62
LOWEST VALUE		-1.83		-1.45		2.82		2.80		3.13		5.79
MEAN		-0.95		1.18		6.80		4.21		3.87		6.82
	LATEST QUARTER		YEAR-TO- DATE		ONE YEAR		THREE YEARS		FIVE YEARS		SINCE INCEPTION	
	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK
▲ PRINCIPAL BOND MTG	-0.43	13	-2.17	99	0.77	99	2.30	99	3.22	94	7.22	8
● LB AGGREGATE BOND	-1.02	52	1.13	64	7.13	51	4.08	70	3.86	54	6.80	59

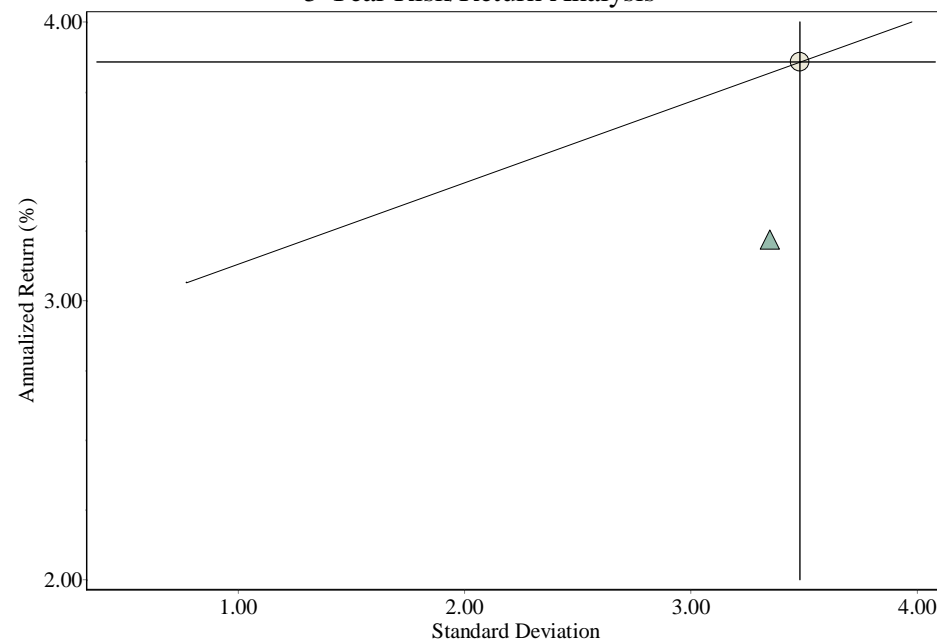
PRINCIPAL BOND AND MORTGAGE RETURN VS RISK

3 Year Risk/Return Analysis



	Return	Std Dev	Alpha	Beta	R-Squared
▲ PRINCIPAL BOND MTG	2.30	3.06	-1.70	0.55	42.30
● LB AGGREGATE BOND	4.08	3.31	0.00	1.00	100.00

5 Year Risk/Return Analysis



	Return	Std Dev	Alpha	Beta	R-Squared
▲ PRINCIPAL BOND MTG	3.22	3.35	-0.44	0.78	65.43
● LB AGGREGATE BOND	3.86	3.48	0.00	1.00	100.00

**PRINCIPAL BOND AND MORTGAGE
TOTAL FUND MARKET VALUES AND CASH FLOWS**

Period Ending	Beginning Value	Net Flows	Investment Gain/Loss	Ending Value	Return (%)
Mar 1995	N/A	0	0	N/A	5.28
Jun 1995	N/A	0	0	N/A	6.51
Sep 1995	N/A	0	0	N/A	2.05
Dec 1995	N/A	0	0	N/A	4.65
Mar 1996	N/A	0	0	N/A	-1.26
Jun 1996	N/A	0	0	N/A	0.66
Sep 1996	N/A	0	0	N/A	2.34
Dec 1996	N/A	0	0	N/A	3.37
Mar 1997	N/A	0	0	N/A	0.07
Jun 1997	N/A	0	0	N/A	4.35
Sep 1997	N/A	0	0	N/A	3.69
Dec 1997	N/A	0	0	N/A	2.92
Mar 1998	N/A	0	0	N/A	1.96
Jun 1998	N/A	0	0	N/A	2.52
Sep 1998	N/A	0	0	N/A	3.83
Dec 1998	N/A	0	0	N/A	0.64
Mar 1999	N/A	0	0	N/A	0.39
Jun 1999	N/A	0	0	N/A	-0.89
Sep 1999	N/A	0	0	N/A	1.07
Dec 1999	N/A	0	0	N/A	0.04
Mar 2000	N/A	0	0	N/A	2.64
Jun 2000	N/A	0	0	N/A	1.82
Sep 2000	N/A	0	0	N/A	3.43
Dec 2000	N/A	0	0	N/A	4.62
Mar 2001	N/A	0	0	N/A	2.64
Jun 2001	N/A	0	0	N/A	0.91
Sep 2001	N/A	0	0	N/A	4.74
Dec 2001	N/A	0	0	N/A	-0.09

**PRINCIPAL BOND AND MORTGAGE
TOTAL FUND MARKET VALUES AND CASH FLOWS**

Period Ending	Beginning Value	Net Flows	Investment Gain/Loss	Ending Value	Return (%)
Mar 2002	N/A	0	0	N/A	0.17
Jun 2002	N/A	0	17,507,309	17,507,309	3.76
Sep 2002	17,507,309	0	245,608	17,752,917	4.57
Dec 2002	17,752,917	0	-45,649	17,707,268	1.67
Mar 2003	17,707,268	0	-121,848	17,585,420	1.72
Jun 2003	17,585,420	0	130,200	17,715,620	2.92
Sep 2003	17,715,620	0	-384,598	17,331,022	0.06
Dec 2003	17,331,022	0	-217,931	17,113,091	0.96
Mar 2004	17,113,091	0	1,421,510	18,534,601	2.95
Jun 2004	18,534,601	0	-776,403	17,758,198	-2.12
Sep 2004	17,758,198	0	117,376	17,875,574	3.42
Dec 2004	17,875,574	0	1,188,448	19,064,022	1.33
Mar 2005	19,064,022	0	-36,191	19,027,831	-0.36
Jun 2005	19,027,831	-427,848	531,134	19,131,117	2.96
Sep 2005	19,131,117	-438,404	-63,397	18,629,316	-0.16
Dec 2005	18,629,316	-487,332	117,988	18,259,972	0.80
Mar 2006	18,259,972	80,714	-87,760	18,252,926	-0.48
Jun 2006	18,252,926	-620,233	-34,482	17,598,211	-0.19
Sep 2006	17,598,211	-527,584	673,556	17,744,183	3.91
Dec 2006	17,744,183	-535,765	266,874	17,475,292	1.53
Mar 2007	17,475,292	117,510	279,992	17,872,794	1.62
Jun 2007	17,872,794	-517,988	-150,993	17,203,813	-0.86
Sep 2007	17,203,813	-316,543	303,709	17,190,979	1.79
Dec 2007	17,190,979	-294,021	203,916	17,100,874	1.20
Mar 2008	17,100,874	-632,098	-299,886	16,168,890	-1.75
Jun 2008	16,168,890	-327,913	-68,676	15,772,301	-0.43

PRINCIPAL BOND AND MORTGAGE QUARTERLY ASSET ALLOCATION (%)

BOND

Period Ending	Actual Weight
03/31/2006	100.00
06/30/2006	100.00
09/30/2006	100.00
12/31/2006	100.00
03/31/2007	100.00
06/30/2007	100.00
09/30/2007	100.00
12/31/2007	100.00
03/31/2008	100.00
06/30/2008	100.00

Profile

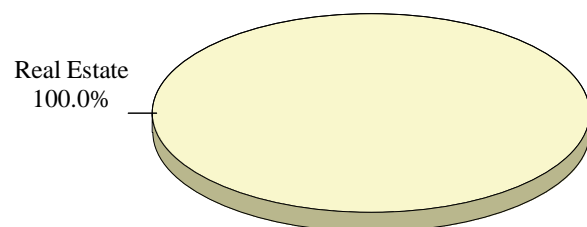
PRUDENTIAL	
Style:	Real Estate
Benchmark:	NCREIF ODCE INDEX
Universe:	N/A
Inception Date:	March 31, 2008

Account Reconciliation

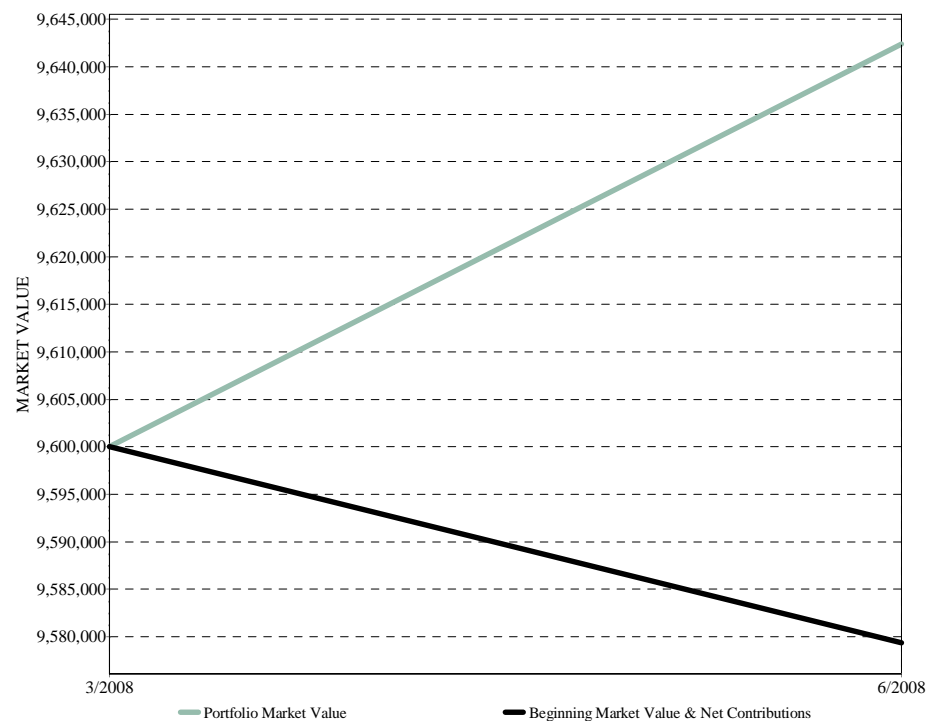
Source	Quarter	Year to Date	3/2008-6/2008
Beginning Value	9,600,000		9,600,000
Net Flows	-20,625	9,579,375	-20,625
Investment G/L	63,012	63,012	63,012
Ending Value	9,642,387	9,642,387	9,642,387

Asset Allocation

Total Market Value
As Of June 30, 2008
\$9,642,387

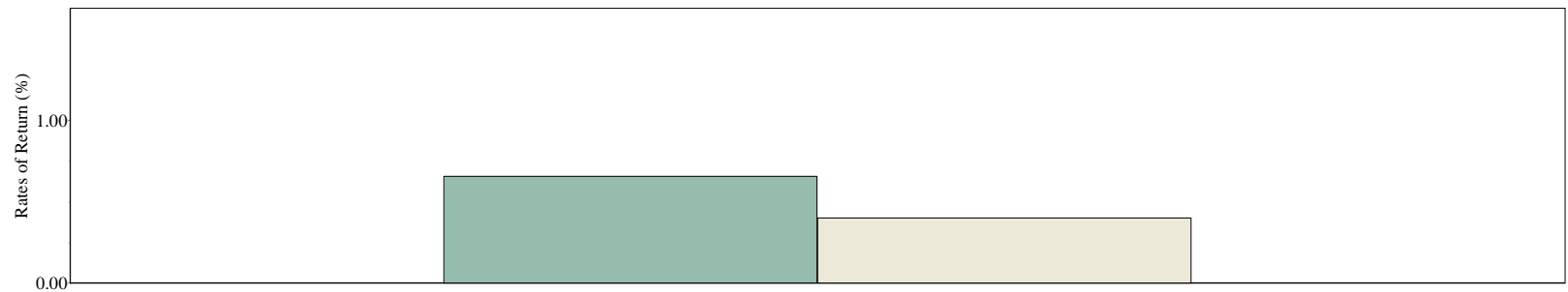


Source Of Portfolio Growth



PRUDENTIAL - TOTAL FUND
3/2008 Through 6/2008

Trailing Returns



	Since Inception
TOTAL FUND	0.66
NCREIF ODCE INDEX	0.40
Difference	0.26

PRUDENTIAL
TOTAL FUND MARKET VALUES AND CASH FLOWS

Period Ending	Beginning Value	Net Flows	Investment Gain/Loss	Ending Value	Return (%)
Jun 2008	9,600,000	-20,625	63,012	9,642,387	0.66

**PRUDENTIAL
QUARTERLY ASSET ALLOCATION (%)****REAL ESTATE**

Period Ending	Actual Weight
03/31/2008	100.00
06/30/2008	100.00

**COMPOSITE
RISK MEASURES - TOTAL FUND**

3 Yr	Fund	Policy	Diff
Negative Periods	4.00	4.00	0.00
Positive Periods	8.00	8.00	0.00
Batting Average	50.00	50.00	0.00
Worst Qtr	-8.45	-5.35	-3.10
Best Qtr	5.79	5.30	0.48
Range	14.24	10.65	3.59
Worst 4 Qtrs	-9.30	-5.02	-4.28
Standard Deviation	7.90	6.07	1.83
Beta	1.31	1.00	0.31
Alpha	-1.53	0.00	-1.53
R-Squared	98.15	100.00	-1.85
Sharpe Ratio	0.12	0.33	-0.21
Treynor Ratio	0.72	1.98	-1.26
Tracking Error	2.04	0.00	2.04
Information Ratio	-0.44		

5 Yr	Fund	Policy	Diff
Negative Periods	6.00	5.00	1.00
Positive Periods	14.00	15.00	-1.00
Batting Average	45.00	55.00	-10.00
Worst Qtr	-8.45	-5.35	-3.10
Best Qtr	7.79	8.65	-0.86
Range	16.24	14.00	2.24
Worst 4 Qtrs	-9.30	-5.02	-4.28
Standard Deviation	7.28	6.39	0.89
Beta	1.10	1.00	0.10
Alpha	-1.41	0.00	-1.41
R-Squared	95.25	100.00	-4.75
Sharpe Ratio	0.52	0.76	-0.23
Treynor Ratio	3.47	4.85	-1.38
Tracking Error	1.69	0.00	1.69
Information Ratio	-0.55		

7 Yr	Fund	Policy	Diff
Negative Periods		9.00	
Positive Periods		19.00	
Batting Average			
Worst Qtr		-10.32	
Best Qtr		11.35	
Range		21.68	
Worst 4 Qtrs		-12.76	
Standard Deviation		9.74	
Beta		1.00	
Alpha		0.00	
R-Squared		100.00	
Sharpe Ratio		0.23	
Treynor Ratio		2.20	
Tracking Error		0.00	
Information Ratio			

Incept	Fund	Policy	Diff
Negative Periods	9.00	8.00	1.00
Positive Periods	17.00	18.00	-1.00
Batting Average	46.15	53.85	-7.69
Worst Qtr	-8.45	-10.32	1.87
Best Qtr	10.03	11.35	-1.32
Range	18.48	21.68	-3.20
Worst 4 Qtrs	-9.30	-12.76	3.46
Standard Deviation	8.63	9.17	-0.53
Beta	0.91	1.00	-0.09
Alpha	0.11	0.00	0.11
R-Squared	94.60	100.00	-5.40
Sharpe Ratio	0.32	0.32	0.00
Treynor Ratio	3.07	2.93	0.14
Tracking Error	2.14	0.00	2.14
Information Ratio	-0.09		

Past performance is not a guarantee of future results.

**PRINCIPAL LARGE CAP STOCK INDEX
RISK MEASURES - TOTAL FUND**

3 Yr	Fund	Policy	Diff
Negative Periods	4.00	4.00	0.00
Positive Periods	8.00	8.00	0.00
Batting Average	8.33	91.67	-83.33
Worst Qtr	-9.62	-9.45	-0.17
Best Qtr	6.60	6.70	-0.10
Range	16.22	16.14	0.08
Worst 4 Qtrs	-13.37	-13.12	-0.25
Standard Deviation	9.53	9.51	0.02
Beta	1.00	1.00	0.00
Alpha	-0.25	0.00	-0.25
R-Squared	99.98	100.00	-0.02
Sharpe Ratio	0.01	0.04	-0.03
Treynor Ratio	0.14	0.39	-0.25
Tracking Error	0.12	0.00	0.12
Information Ratio	-2.04		

5 Yr	Fund	Policy	Diff
Negative Periods	6.00	6.00	0.00
Positive Periods	14.00	14.00	0.00
Batting Average	25.00	75.00	-50.00
Worst Qtr	-9.62	-9.45	-0.17
Best Qtr	12.10	12.18	-0.08
Range	21.72	21.62	0.10
Worst 4 Qtrs	-13.37	-13.12	-0.25
Standard Deviation	9.69	9.69	0.00
Beta	1.00	1.00	0.00
Alpha	-0.17	0.00	-0.17
R-Squared	99.99	100.00	-0.01
Sharpe Ratio	0.45	0.47	-0.02
Treynor Ratio	4.34	4.52	-0.18
Tracking Error	0.11	0.00	0.11
Information Ratio	-1.47		

7 Yr	Fund	Policy	Diff
Negative Periods	10.00	10.00	0.00
Positive Periods	18.00	18.00	0.00
Batting Average	32.14	67.86	-35.71
Worst Qtr	-17.27	-17.28	0.01
Best Qtr	15.36	15.40	-0.04
Range	32.63	32.68	-0.05
Worst 4 Qtrs	-24.77	-24.77	0.00
Standard Deviation	15.49	15.52	-0.02
Beta	1.00	1.00	0.00
Alpha	-0.11	0.00	-0.11
R-Squared	99.99	100.00	-0.01
Sharpe Ratio	-0.02	-0.01	-0.01
Treynor Ratio	-0.32	-0.21	-0.11
Tracking Error	0.11	0.00	0.11
Information Ratio	-0.96		

Incept	Fund	Policy	Diff
Negative Periods	16.00	16.00	0.00
Positive Periods	38.00	38.00	0.00
Batting Average	61.11	38.89	22.22
Worst Qtr	-17.27	-17.28	0.01
Best Qtr	21.37	21.30	0.07
Range	38.64	38.57	0.07
Worst 4 Qtrs	-26.58	-26.62	0.04
Standard Deviation	16.01	16.00	0.01
Beta	1.00	1.00	0.00
Alpha	0.06	0.00	0.06
R-Squared	99.99	100.00	-0.01
Sharpe Ratio	0.37	0.37	0.00
Treynor Ratio	5.99	5.93	0.07
Tracking Error	0.14	0.00	0.14
Information Ratio	0.46		

Past performance is not a guarantee of future results.

PRINCIPAL INTERNATIONAL STOCK RISK MEASURES - TOTAL FUND

3 Yr	Fund	Policy	Diff
Negative Periods	3.00	3.00	0.00
Positive Periods	9.00	9.00	0.00
Batting Average	66.67	33.33	33.33
Worst Qtr	-10.03	-8.91	-1.12
Best Qtr	15.34	10.38	4.96
Range	25.37	19.28	6.09
Worst 4 Qtrs	-5.61	-10.61	5.01
Standard Deviation	13.80	11.46	2.33
Beta	1.18	1.00	0.18
Alpha	3.81	0.00	3.81
R-Squared	92.86	100.00	-7.14
Sharpe Ratio	1.05	0.77	0.28
Treynor Ratio	12.36	8.83	3.53
Tracking Error	4.10	0.00	4.10
Information Ratio	1.32		

5 Yr	Fund	Policy	Diff
Negative Periods	4.00	6.00	-2.00
Positive Periods	16.00	14.00	2.00
Batting Average	65.00	35.00	30.00
Worst Qtr	-10.03	-8.91	-1.12
Best Qtr	17.72	17.08	0.64
Range	27.75	25.98	1.77
Worst 4 Qtrs	-5.61	-10.61	5.01
Standard Deviation	13.61	12.65	0.96
Beta	1.03	1.00	0.03
Alpha	3.54	0.00	3.54
R-Squared	92.11	100.00	-7.89
Sharpe Ratio	1.32	1.08	0.24
Treynor Ratio	17.44	13.60	3.84
Tracking Error	3.82	0.00	3.82
Information Ratio	1.03		

7 Yr	Fund	Policy	Diff
Negative Periods	9.00	10.00	-1.00
Positive Periods	19.00	18.00	1.00
Batting Average	64.29	35.71	28.57
Worst Qtr	-18.28	-19.73	1.45
Best Qtr	17.86	19.27	-1.41
Range	36.14	39.01	-2.87
Worst 4 Qtrs	-21.00	-23.22	2.23
Standard Deviation	17.91	17.36	0.55
Beta	1.01	1.00	0.01
Alpha	2.96	0.00	2.96
R-Squared	96.03	100.00	-3.97
Sharpe Ratio	0.53	0.37	0.17
Treynor Ratio	9.44	6.35	3.09
Tracking Error	3.56	0.00	3.56
Information Ratio	0.84		

Incept	Fund	Policy	Diff
Negative Periods	16.00	21.00	-5.00
Positive Periods	38.00	33.00	5.00
Batting Average	64.81	35.19	29.63
Worst Qtr	-18.28	-19.73	1.45
Best Qtr	17.86	20.65	-2.79
Range	36.14	40.38	-4.24
Worst 4 Qtrs	-21.00	-28.54	7.54
Standard Deviation	16.43	16.76	-0.32
Beta	0.89	1.00	-0.11
Alpha	6.08	0.00	6.08
R-Squared	83.85	100.00	-16.15
Sharpe Ratio	0.55	0.18	0.37
Treynor Ratio	10.17	3.01	7.16
Tracking Error	6.83	0.00	6.83
Information Ratio	0.81		

Past performance is not a guarantee of future results.

**PRINCIPAL BOND AND MORTGAGE
RISK MEASURES - TOTAL FUND**

3 Yr	Fund	Policy	Diff
Negative Periods	6.00	5.00	1.00
Positive Periods	6.00	7.00	-1.00
Batting Average	58.33	41.67	16.67
Worst Qtr	-1.75	-1.02	-0.73
Best Qtr	3.91	3.81	0.10
Range	5.66	4.82	0.83
Worst 4 Qtrs	-0.04	-0.81	0.77
Standard Deviation	3.06	3.31	-0.25
Beta	0.55	1.00	-0.45
Alpha	-1.70	0.00	-1.70
R-Squared	42.30	100.00	-57.70
Sharpe Ratio	-0.56	0.02	-0.58
Treynor Ratio	-3.11	0.07	-3.18
Tracking Error	2.58	0.00	2.58
Information Ratio	-0.68		

5 Yr	Fund	Policy	Diff
Negative Periods	8.00	8.00	0.00
Positive Periods	12.00	12.00	0.00
Batting Average	70.00	30.00	40.00
Worst Qtr	-2.12	-2.44	0.32
Best Qtr	3.91	3.81	0.10
Range	6.03	6.24	-0.22
Worst 4 Qtrs	-0.04	-0.81	0.77
Standard Deviation	3.35	3.48	-0.13
Beta	0.78	1.00	-0.22
Alpha	-0.44	0.00	-0.44
R-Squared	65.43	100.00	-34.57
Sharpe Ratio	0.05	0.23	-0.18
Treynor Ratio	0.20	0.79	-0.59
Tracking Error	2.10	0.00	2.10
Information Ratio	-0.31		

7 Yr	Fund	Policy	Diff
Negative Periods	9.00	8.00	1.00
Positive Periods	19.00	20.00	-1.00
Batting Average	71.43	28.57	42.86
Worst Qtr	-2.12	-2.44	0.32
Best Qtr	4.74	4.62	0.12
Range	6.86	7.05	-0.19
Worst 4 Qtrs	-0.04	-0.81	0.77
Standard Deviation	3.71	3.69	0.02
Beta	0.90	1.00	-0.10
Alpha	-0.03	0.00	-0.03
R-Squared	78.90	100.00	-21.10
Sharpe Ratio	0.66	0.75	-0.09
Treynor Ratio	2.73	2.78	-0.05
Tracking Error	1.79	0.00	1.79
Information Ratio	-0.18		

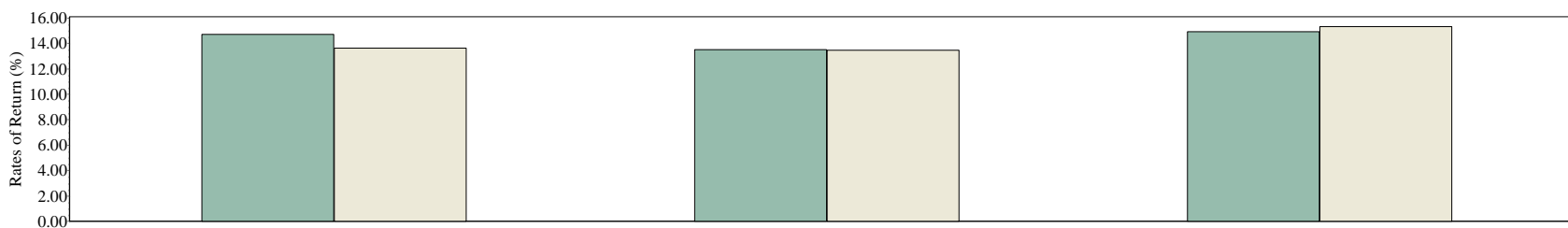
Incept	Fund	Policy	Diff
Negative Periods	11.00	13.00	-2.00
Positive Periods	43.00	41.00	2.00
Batting Average	77.78	22.22	55.56
Worst Qtr	-2.12	-2.44	0.32
Best Qtr	6.51	6.09	0.42
Range	8.63	8.53	0.10
Worst 4 Qtrs	-0.04	-0.83	0.79
Standard Deviation	3.91	3.85	0.06
Beta	0.93	1.00	-0.07
Alpha	0.58	0.00	0.58
R-Squared	86.90	100.00	-13.10
Sharpe Ratio	0.86	0.76	0.09
Treynor Ratio	3.59	2.94	0.65
Tracking Error	1.39	0.00	1.39
Information Ratio	0.28		

Past performance is not a guarantee of future results.

COMPOSITE

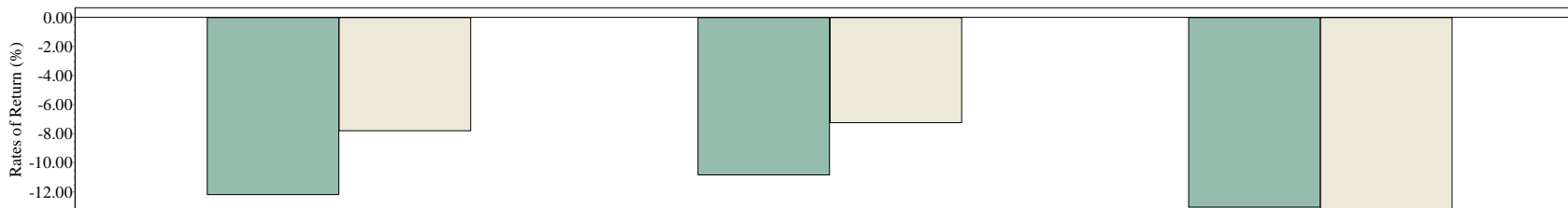
TOTAL FUND PERFORMANCE IN RISING AND DECLINING MARKETS

Performance in Rising Markets



	3 Yr	5 Yr	Inception
TOTAL FUND	14.75	13.54	14.95
POLICY INDEX	13.65	13.49	15.34
Difference	1.10	0.05	-0.39
Ratio	1.08	1.00	0.97
Up Periods	8	15	18

Performance in Declining Markets



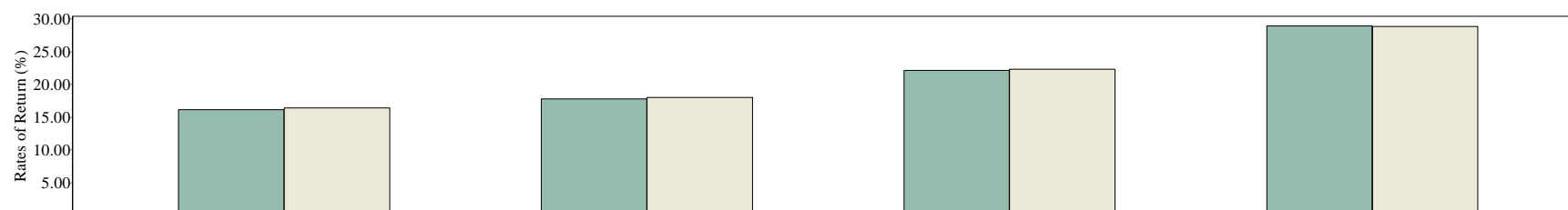
	3 Yr	5 Yr	Inception
TOTAL FUND	-12.19	-10.83	-13.06
POLICY INDEX	-7.80	-7.22	-13.38
Difference	-4.39	-3.60	0.32
Ratio	1.56	1.50	0.98
Down Periods	4	5	8

The comparative index for this analysis is the POLICY INDEX.

PRINCIPAL LARGE CAP STOCK INDEX

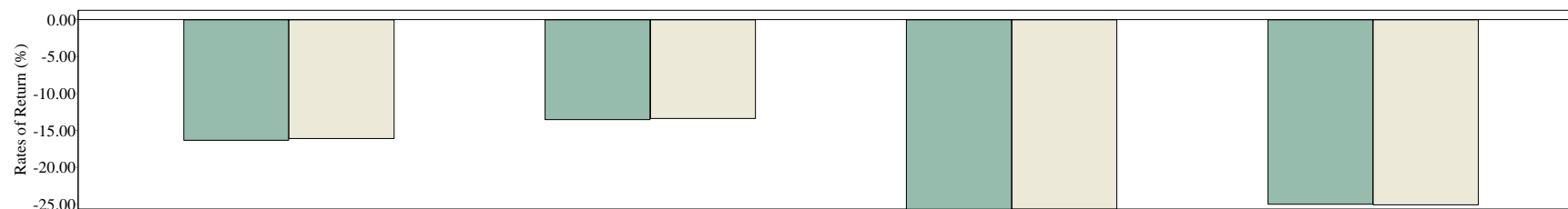
TOTAL FUND PERFORMANCE IN RISING AND DECLINING MARKETS

Performance in Rising Markets



	3 Yr	5 Yr	7 Yr	Inception
TOTAL FUND	16.19	17.88	22.25	29.01
S&P 500	16.45	18.07	22.41	28.94
Difference	-0.26	-0.19	-0.16	0.07
Ratio	0.98	0.99	0.99	1.00
Up Periods	8	14	18	38

Performance in Declining Markets

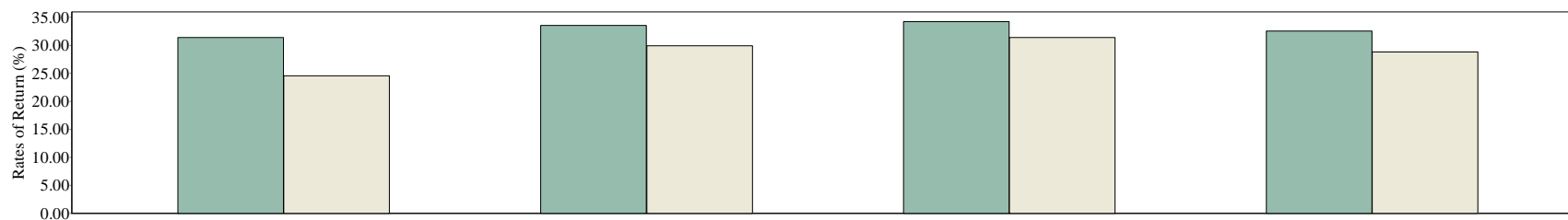


	3 Yr	5 Yr	7 Yr	Inception
TOTAL FUND	-16.31	-13.55	-25.67	-25.00
S&P 500	-16.08	-13.41	-25.63	-25.06
Difference	-0.24	-0.14	-0.04	0.06
Ratio	1.01	1.01	1.00	1.00
Down Periods	4	6	10	16

The comparative index for this analysis is the S&P 500.

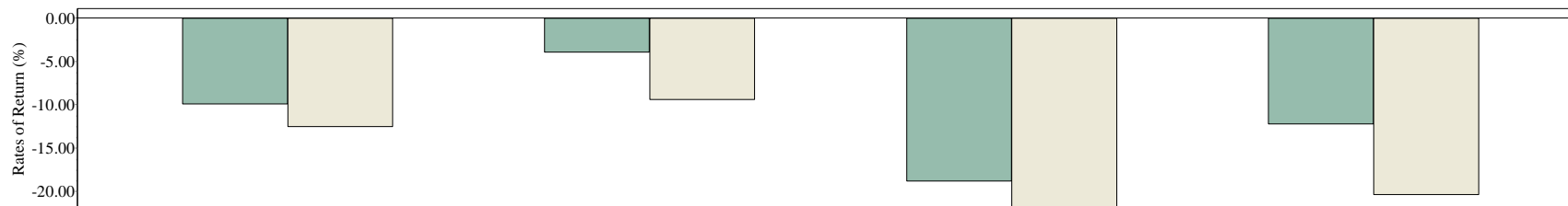
PRINCIPAL INTERNATIONAL STOCK TOTAL FUND PERFORMANCE IN RISING AND DECLINING MARKETS

Performance in Rising Markets



	3 Yr	5 Yr	7 Yr	Inception
TOTAL FUND	31.42	33.62	34.30	32.62
MSCI NET EAFE	24.67	30.03	31.44	28.88
Difference	6.75	3.59	2.85	3.74
Ratio	1.27	1.12	1.09	1.13
Up Periods	9	14	18	33

Performance in Declining Markets

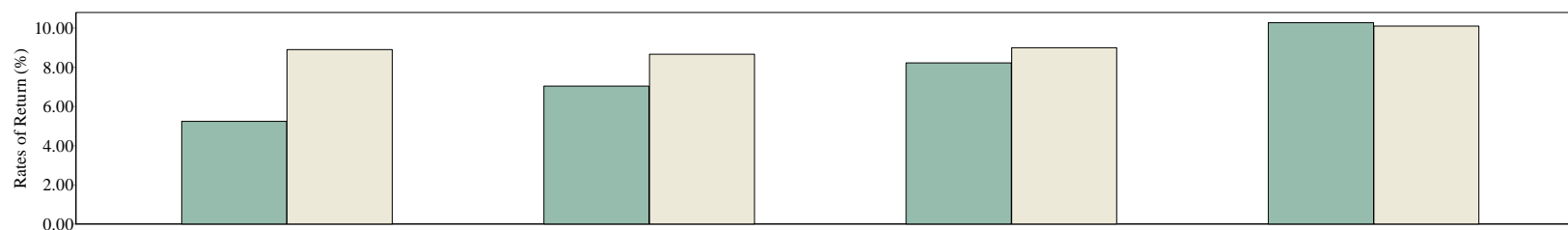


	3 Yr	5 Yr	7 Yr	Inception
TOTAL FUND	-9.91	-3.96	-18.83	-12.21
MSCI NET EAFE	-12.52	-9.41	-22.15	-20.37
Difference	2.61	5.46	3.32	8.15
Ratio	0.79	0.42	0.85	0.60
Down Periods	3	6	10	21

The comparative index for this analysis is the MSCI NET EAFE.

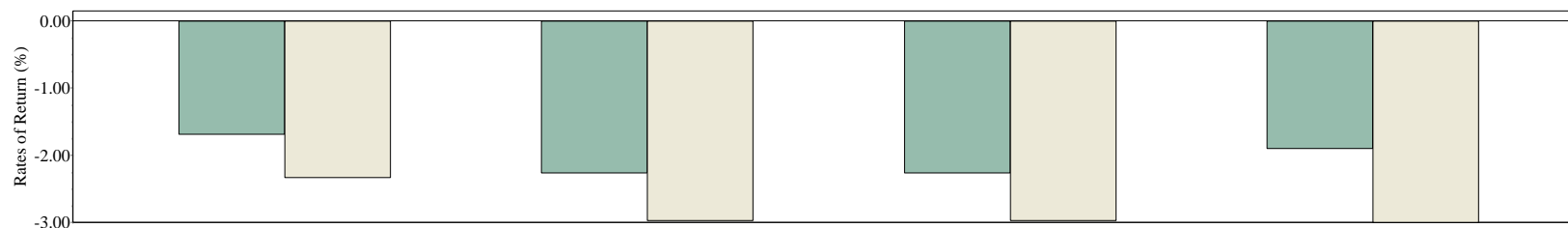
PRINCIPAL BOND AND MORTGAGE TOTAL FUND PERFORMANCE IN RISING AND DECLINING MARKETS

Performance in Rising Markets



	3 Yr	5 Yr	7 Yr	Inception
TOTAL FUND	5.25	7.04	8.23	10.28
LB AGGREGATE BOND	8.92	8.68	9.01	10.12
Difference	-3.67	-1.63	-0.78	0.16
Ratio	0.59	0.81	0.91	1.02
Up Periods	7	12	20	41

Performance in Declining Markets



	3 Yr	5 Yr	7 Yr	Inception
TOTAL FUND	-1.69	-2.26	-2.26	-1.90
LB AGGREGATE BOND	-2.33	-2.98	-2.98	-3.00
Difference	0.64	0.71	0.71	1.10
Ratio	0.73	0.76	0.76	0.63
Down Periods	5	8	8	13

The comparative index for this analysis is the LB AGGREGATE BOND.

**COMPOSITE
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

DATE	ACCOUNT						POLICY INDEX			
	QUARTERLY	SEMI	ANNUALLY	ANNUALLY	SINCE		QUARTERLY	SEMI	ANNUALLY	SINCE
					12/2001					12/2001
03/2002	0.28				0.28		0.32			0.32
06/2002	-3.50	*	-3.23	*	-3.23	*	-5.91	-5.61		-5.61
09/2002	-7.84	*			-10.82	*	-10.32			-15.36
12/2002	5.39		-2.87	*	-6.01	*	5.88	-5.05	-10.38	-10.38
03/2003	-1.93	*			-6.31	*	-2.34			-10.11
06/2003	10.03		7.91		0.95	*	11.35	8.74		-1.70
09/2003	1.36				1.59	*	2.51			-0.06
12/2003	7.79		9.26		5.27	*	8.65	11.38	21.12	4.19
03/2004	2.56	*			5.85	*	2.43			4.83
06/2004	-0.23		2.32		5.15	*	0.03	2.46		4.34
09/2004	0.45	*			4.84	*	0.14			3.99
12/2004	6.74		7.22		6.73	*	7.18	7.33	9.97	6.08
03/2005	-1.31				5.76	*	-1.25			5.19
06/2005	1.99	*	0.65	*	5.94	*	1.60	0.33		5.29
09/2005	3.53	*			6.51	*	3.11			5.79
12/2005	2.14	*	5.74	*	6.65	*	1.88	5.05	5.40	5.91
03/2006	3.59	*			7.14	*	3.26			6.35
06/2006	-0.88		2.67	*	6.52	*	-0.62	2.62		5.84
09/2006	4.64				7.18	*	4.76			6.56
12/2006	5.79	*	10.69	*	8.02	*	5.30	10.31	13.20	7.33
03/2007	1.36				7.90	*	1.47			7.27
06/2007	4.65	*	6.07	*	8.42	*	3.90	5.43		7.67
09/2007	2.38	*			8.48	*	2.37			7.76
12/2007	-1.90		0.43		7.77	*	-0.87	1.48	6.99	7.27

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE POLICY INDEX.

**COMPOSITE
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

DATE	ACCOUNT			SINCE 12/2001	POLICY INDEX			SINCE 12/2001
	QUARTERLY	SEMI ANNUALLY	ANNUALLY		QUARTERLY	SEMI ANNUALLY	ANNUALLY	
03/2008	-8.45			5.94	-5.35			6.04
06/2008	-1.35	-9.69		5.48	-1.12	-6.40		5.61

THE POLICY INDEX REFLECTS THE RETURNS OF THE MANAGER'S ASSET
 ALLOCATION IF INVESTED IN THE MARKETS REPRESENTED BY THE FOLLOWING INDEXES:

03/31/2008 - PRESENT

- 25% LB AGGREGATE BOND
- 25% S&P 500
- 20% MSCI NET EAFE
- 15% NCREIF ODCE INDEX
- 15% RUSSELL 2000

01/31/1988 - 03/31/2008

- 50% S&P 500
- 35% LB AGGREGATE BOND
- 15% MSCI NET EAFE

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE POLICY INDEX.

**PRINCIPAL LARGE CAP STOCK INDEX
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

DATE	ACCOUNT						S&P 500			
	QUARTERLY	SEMI	ANNUALLY	ANNUALLY	SINCE	12/1994	QUARTERLY	SEMI	ANNUALLY	SINCE
03/1995	9.80	*			9.80	*	9.74			9.74
06/1995	9.62	*	20.36	*	20.36	*	9.55	20.21		20.21
09/1995	8.01	*			30.00	*	7.95			29.77
12/1995	6.11	*	14.61	*	37.95	*	6.02	14.45	37.58	37.58
03/1996	5.40	*			34.91	*	5.37			34.59
06/1996	4.58	*	10.23	*	32.23	*	4.49	10.10		31.89
09/1996	3.17	*			29.34	*	3.09			29.00
12/1996	8.42	*	11.86	*	23.30	*	8.34	11.68	22.96	30.06
03/1997	2.77	*			28.17	*	2.68			27.81
06/1997	17.49	*	20.74	*	33.36	*	17.46	20.61		33.01
09/1997	7.58	*			33.41	*	7.49			33.05
12/1997	2.96	*	10.76	*	33.74	*	2.87	10.58	33.36	31.15
03/1998	14.01	*			34.07	*	13.95			33.71
06/1998	3.37	*	17.85	*	32.54	*	3.31	17.72		32.19
09/1998	-9.83	*			26.54	*	-9.95			26.18
12/1998	21.37	*	9.44	*	28.98	*	21.30	9.23	28.58	30.51
03/1999	5.04	*			30.32	*	4.98			29.96
06/1999	7.12	*	12.52	*	30.39	*	7.05	12.38		30.03
09/1999	-6.15	*			26.88	*	-6.25			26.52
12/1999	14.97	*	7.90	*	21.41	*	14.88	7.70	21.04	28.56
03/2000	2.34	*			27.94	*	2.29			27.58
06/2000	-2.58	*	-0.30	*	25.91	*	-2.66	-0.42		25.56
09/2000	-0.92	*			24.46	*	-0.97			24.11
12/2000	-7.71	*	-8.56	*	-8.83	*	-7.83	-8.72	-9.11	21.34
03/2001	-11.90				18.31	*	-11.86			18.00
06/2001	5.73		-6.85		18.56	*	5.86	-6.69		18.28
09/2001	-14.59	*			15.10	*	-14.68			14.81

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE S&P 500.

**PRINCIPAL LARGE CAP STOCK INDEX
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

DATE	ACCOUNT						S&P 500				
	QUARTERLY	SEMI	ANNUALLY	ANNUALLY	SINCE		QUARTERLY	SEMI	ANNUALLY	SINCE	
12/2001	10.74	*	-5.42	*	-11.90	16.20	*	10.69	-5.56	-11.88	15.92
03/2002	0.25					15.64	*	0.27			15.37
06/2002	-13.39	*	-13.17			12.90	*	-13.40	-13.16		12.64
09/2002	-17.27	*				9.74	*	-17.28			9.50
12/2002	8.42		-10.30		-22.12	10.53	*	8.43	-10.30	-22.11	10.30
03/2003	-3.16					9.77	*	-3.15			9.55
06/2003	15.36		11.71			11.33	*	15.40	11.77		11.11
09/2003	2.63					11.31	*	2.64			11.11
12/2003	12.10		15.05		28.53	12.40	*	12.18	15.14	28.69	12.21
03/2004	1.67					12.25	*	1.70			12.06
06/2004	1.72	*	3.42			12.11	*	1.71	3.44		11.93
09/2004	-1.87	*				11.56	*	-1.87			11.39
12/2004	9.21		7.17		10.83	12.24	*	9.23	7.19	10.87	12.07
03/2005	-2.12	*				11.69	*	-2.15			11.52
06/2005	1.37	*	-0.78	*		11.54	*	1.36	-0.82		11.38
09/2005	3.59					11.63	*	3.61			11.47
12/2005	2.08		5.74		4.92	11.56	*	2.09	5.77	4.90	11.40
03/2006	4.11					11.69	*	4.21			11.54
06/2006	-1.50		2.55			11.27	*	-1.44	2.71		11.14
09/2006	5.60					11.53	*	5.67			11.41
12/2006	6.60		12.57		15.44	11.87	*	6.70	12.74	15.80	11.76
03/2007	0.61					11.67	*	0.64			11.56
06/2007	6.20		6.84			11.97	*	6.28	6.96		11.86

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE S&P 500.

**PRINCIPAL LARGE CAP STOCK INDEX
 TOTAL FUND TIME WEIGHTED RATES OF RETURN**

DATE	ACCOUNT					S&P 500			
	QUARTERLY	SEMI ANNUALLY	ANNUALLY	SINCE 12/1994		QUARTERLY	SEMI ANNUALLY	ANNUALLY	SINCE 12/1994
09/2007	1.96			11.89	*	2.03			11.79
12/2007	-3.43	-1.53	5.21	11.35	*	-3.33	-1.37	5.49	11.26
03/2008	-9.62			10.28	*	-9.45			10.21
06/2008	-2.66	*	-12.02	9.86	*	-2.73	-11.91		9.79

THE POLICY INDEX REFLECTS THE RETURNS OF THE MANAGER'S ASSET
 ALLOCATION IF INVESTED IN THE MARKETS REPRESENTED BY THE FOLLOWING INDEXES:

12/31/1994 - PRESENT
 100% S&P 500

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE S&P 500.

**PRINCIPAL INTERNATIONAL STOCK
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

DATE	ACCOUNT					MSCI NET EAFE				
	QUARTERLY	SEMI ANNUALLY	ANNUALLY		SINCE 12/1994	QUARTERLY	SEMI ANNUALLY	ANNUALLY		SINCE 12/1994
03/1995	-0.66				-0.66	1.87				1.87
06/1995	9.50	*	8.78	*	8.78	0.73	2.61			2.61
09/1995	5.14	*			14.37	4.18				6.90
12/1995	1.88		7.12		16.52	4.05	8.39	11.22		11.22
03/1996	8.60	*			20.72	2.89				11.39
06/1996	4.19	*	13.15	*	20.24	1.59	4.52			10.56
09/1996	3.20	*			19.24	-0.12				8.91
12/1996	8.40	*	11.87	*	21.45	1.59	1.47	6.06		8.61
03/1997	3.66	*			20.77	-1.56				6.87
06/1997	10.83		14.89	*	23.48	12.97	11.21			11.47
09/1997	5.70	*			23.61	-0.70				10.09
12/1997	-5.72	*	-0.35	*	19.08	-7.84	-8.48	1.77		6.28
03/1998	15.53	*			22.83	14.71				10.35
06/1998	-0.26		15.23		20.95	1.07	15.94			9.91
09/1998	-17.09				13.60	-14.22				4.84
12/1998	17.71		-2.41		17.39	20.65	3.49	19.99		9.55
03/1999	3.22	*			17.16	1.39				9.32
06/1999	2.95	*	6.26	*	16.88	2.54	3.96			9.39
09/1999	2.66				16.57	4.39				9.86
12/1999	16.21		19.30		19.21	16.99	22.13	26.97		12.83
03/2000	3.60	*			19.01	-0.10				12.16
06/2000	-1.33	*	2.22	*	17.79	-3.96	-4.06			10.76
09/2000	-9.24				15.00	-8.06				8.67
12/2000	0.83	*	-8.49	*	14.49	-2.69	-10.53	-14.16		7.81
03/2001	3.60	*			14.52	-13.71				4.98
06/2001	-0.75	*	2.82	*	13.79	-1.05	-14.61			4.61
09/2001	-15.01				10.55	-14.00				2.13

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE MSCI NET EAFE.

**PRINCIPAL INTERNATIONAL STOCK
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

DATE	ACCOUNT							MSCI NET EAFE				
	QUARTERLY	SEMI	ANNUALLY	ANNUALLY		SINCE		QUARTERLY	SEMI	ANNUALLY	SINCE	
						12/1994					12/1994	
12/2001	9.47	*	-6.96	*	-4.33	*	11.59	*	6.98	-7.99	-21.44	3.04
03/2002	-0.48						11.09	*	0.51			3.01
06/2002	-1.43	*	-1.90				10.49	*	-2.12	-1.62		2.61
09/2002	-18.28	*					7.31	*	-19.73			-0.34
12/2002	6.47	*	-12.99	*	-14.65	*	7.91	*	6.45	-14.56	-15.94	0.45
03/2003	-7.88	*					6.60	*	-8.20			-0.60
06/2003	17.86		8.57				8.47	*	19.27	9.49		1.50
09/2003	5.62						8.90	*	8.12			2.37
12/2003	17.72	*	24.34		34.99		10.63	*	17.08	26.59	38.60	4.11
03/2004	4.24						10.82	*	4.34			4.48
06/2004	-0.77		3.44				10.44	*	0.22	4.56		4.38
09/2004	1.89	*					10.37	*	-0.28			4.23
12/2004	15.94	*	18.13	*	22.19	*	11.74	*	15.32	15.00	20.24	5.62
03/2005	0.90	*					11.53	*	-0.17			5.46
06/2005	1.62	*	2.53	*			11.41	*	-1.01	-1.17		5.23
09/2005	15.34	*					12.62	*	10.38			6.07
12/2005	6.01	*	22.27	*	25.37	*	12.91	*	4.08	14.88	13.54	6.32
03/2006	11.91	*					13.74	*	9.40			7.02
06/2006	-0.08		11.81	*			13.41	*	0.70	10.16		6.93
09/2006	2.63						13.36	*	3.93			7.13
12/2006	11.51	*	14.44		27.96	*	14.09	*	10.35	14.69	26.34	7.86
03/2007	3.61						14.12	*	4.08			8.04
06/2007	8.88	*	12.81	*			14.59	*	6.40	10.74		8.41

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE MSCI NET EAFE.

**PRINCIPAL INTERNATIONAL STOCK
 TOTAL FUND TIME WEIGHTED RATES OF RETURN**

DATE	ACCOUNT				MSCI NET EAFE			
	QUARTERLY	SEMI ANNUALLY	ANNUALLY	SINCE 12/1994	QUARTERLY	SEMI ANNUALLY	ANNUALLY	SINCE 12/1994
09/2007	4.77	*		14.71	2.18			8.42
12/2007	-1.49	*	3.21	14.27	-1.75	0.39	11.17	8.11
03/2008	-10.03			13.08	-8.91			7.19
06/2008	1.65	*	-8.55	12.96	-2.25	-10.96		6.87

THE POLICY INDEX REFLECTS THE RETURNS OF THE MANAGER'S ASSET
 ALLOCATION IF INVESTED IN THE MARKETS REPRESENTED BY THE FOLLOWING INDEXES:

12/31/1994 - PRESENT
 100% MSCI NET EAFE

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE MSCI NET EAFE.

**MANNING AND NAPIER
 TOTAL FUND TIME WEIGHTED RATES OF RETURN**

DATE	ACCOUNT				RUSSELL 2000			
	QUARTERLY	SEMI ANNUALLY	ANNUALLY	SINCE 02/2008	QUARTERLY	SEMI ANNUALLY	ANNUALLY	SINCE 02/2008
06/2008		-7.46			0.58			1.00

THE POLICY INDEX REFLECTS THE RETURNS OF THE MANAGER'S ASSET
 ALLOCATION IF INVESTED IN THE MARKETS REPRESENTED BY THE FOLLOWING INDEXES:

2/1/2008 - PRESENT
 100% RUSSELL 2000

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE RUSSELL 2000.

PRINCIPAL BOND AND MORTGAGE TOTAL FUND TIME WEIGHTED RATES OF RETURN

DATE	ACCOUNT						LB AGGREGATE BOND			
	QUARTERLY	SEMI	ANNUALLY	ANNUALLY	SINCE	12/1994	QUARTERLY	SEMI	ANNUALLY	SINCE
03/1995	5.28	*			5.28	*	5.04			5.04
06/1995	6.51	*	12.13	*	12.13	*	6.09	11.44		11.44
09/1995	2.05	*			14.43	*	1.96			13.63
12/1995	4.65	*	6.80	*	19.75	*	4.26	6.31	18.47	18.47
03/1996	-1.26	*			14.35	*	-1.77			12.89
06/1996	0.66	*	-0.61	*	12.31	*	0.57	-1.21		11.06
09/1996	2.34	*			11.93	*	1.85			10.55
12/1996	3.37	*	5.79	*	12.21	*	3.00	4.90	3.63	10.80
03/1997	0.07	*			10.82	*	-0.56			9.27
06/1997	4.35	*	4.42	*	11.57	*	3.68	3.10		9.89
09/1997	3.69	*			11.93	*	3.33			10.26
12/1997	2.92		6.72	*	11.44	*	2.95	6.38	9.68	10.43
03/1998	1.96	*			11.65	*	1.54			10.10
06/1998	2.52	*	4.53	*	11.57	*	2.34	3.92		10.07
09/1998	3.83				11.87	*	4.23			10.59
12/1998	0.64	*	4.49		9.23	*	0.34	4.58	8.67	9.99
03/1999	0.39	*			10.67	*	-0.51			9.24
06/1999	-0.89		-0.50	*	9.83	*	-0.88	-1.38		8.49
09/1999	1.07	*			9.53	*	0.68			8.18
12/1999	0.04	*	1.11	*	0.60	*	-0.12	0.56	-0.83	7.73
03/2000	2.64	*			9.14	*	2.21			7.80
06/2000	1.82	*	4.51	*	9.06	*	1.73	3.98		7.77
09/2000	3.43	*			9.29	*	3.02			7.97
12/2000	4.62	*	8.21	*	13.09	*	4.21	7.36	11.63	8.37
03/2001	2.64				9.76	*	3.03			8.54
06/2001	0.91	*	3.57		9.52	*	0.56	3.60		8.29
09/2001	4.74	*			9.90	*	4.62			8.70

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE LB AGGREGATE BOND.

PRINCIPAL BOND AND MORTGAGE TOTAL FUND TIME WEIGHTED RATES OF RETURN

DATE	ACCOUNT					LB AGGREGATE BOND				
	QUARTERLY	SEMI ANNUALLY	ANNUALLY		SINCE 12/1994	QUARTERLY	SEMI ANNUALLY	ANNUALLY		SINCE 12/1994
12/2001	-0.09	4.65	8.39		9.52 *	0.04	4.65	8.42		8.38
03/2002	0.17	*			9.20 *	0.10				8.09
06/2002	3.76	*	3.94	*	9.42 *	3.70	3.80			8.34
09/2002	4.57				9.73 *	4.59				8.69
12/2002	1.67	*	6.32	*	10.50 *	1.57	6.23	10.27		8.61
03/2003	1.72	*			9.56 *	1.39				8.52
06/2003	2.92	*	4.69	*	9.64 *	2.50	3.92			8.58
09/2003	0.06	*			9.36 *	-0.14				8.30
12/2003	0.96	*	1.02	*	5.76 *	0.32	0.18	4.11		8.10
03/2004	2.95	*			9.29 *	2.65				8.18
06/2004	-2.12	*	0.77	*	8.79 *	-2.44	0.15			7.68
09/2004	3.42	*			8.93 *	3.20				7.82
12/2004	1.33	*	4.80	*	5.60 *	0.95	4.18	4.34		7.72
03/2005	-0.36	*			8.57 *	-0.48				7.48
06/2005	2.96		2.59	*	8.66 *	3.01	2.52			7.60
09/2005	-0.16	*			8.44 *	-0.68				7.34
12/2005	0.80	*	0.64	*	3.24 *	0.59	-0.09	2.43		7.23
03/2006	-0.48	*			8.08 *	-0.64				7.00
06/2006	-0.19		-0.67	*	7.88 *	-0.08	-0.72			6.84
09/2006	3.91	*			8.06 *	3.81				7.03
12/2006	1.53	*	5.50	*	4.79 *	1.24	5.09	4.33		6.98
03/2007	1.62	*			7.99 *	1.50				6.97
06/2007	-0.86		0.74		7.75 *	-0.52	0.97			6.78

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE LB AGGREGATE BOND.

**PRINCIPAL BOND AND MORTGAGE
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

DATE	ACCOUNT					LB AGGREGATE BOND			
	QUARTERLY	SEMI ANNUALLY	ANNUALLY	SINCE 12/1994		QUARTERLY	SEMI ANNUALLY	ANNUALLY	SINCE 12/1994
09/2007	1.79			7.74	*	2.85			6.88
12/2007	1.20	3.01	3.77	7.69	*	3.00	5.94	6.96	6.98
03/2008	-1.75			7.39	*	2.17			7.02
06/2008	-0.43	*	-2.17	7.22	*	-1.02	1.13		6.80

THE POLICY INDEX REFLECTS THE RETURNS OF THE MANAGER'S ASSET
ALLOCATION IF INVESTED IN THE MARKETS REPRESENTED BY THE FOLLOWING INDEXES:

12/31/1994 - PRESENT
100% LB AGGREGATE BOND

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE LB AGGREGATE BOND.

PRUDENTIAL
TOTAL FUND TIME WEIGHTED RATES OF RETURN

DATE	ACCOUNT				NCREIF ODCE INDEX			
	QUARTERLY	SEMI ANNUALLY	ANNUALLY	SINCE 03/2008	QUARTERLY	SEMI ANNUALLY	ANNUALLY	SINCE 03/2008
06/2008	0.66	*		0.66	*	0.40		0.40

THE POLICY INDEX REFLECTS THE RETURNS OF THE MANAGER'S ASSET
 ALLOCATION IF INVESTED IN THE MARKETS REPRESENTED BY THE FOLLOWING INDEXES:

3/31/2008 - PRESENT
 100% NCREIF ODCE INDEX

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE NCREIF ODCE INDEX.

**COMPOSITE
TOTAL FUND POLICY INDEX****TOTAL FUND BENCHMARK**

03/31/2008 - Present

25%	LB AGGREGATE BOND
25%	S&P 500
20%	MSCI NET EAFE
15%	NCREIF ODCE INDEX
15%	RUSSELL 2000

01/31/1988 - 03/31/2008

50%	S&P 500
35%	LB AGGREGATE BOND
15%	MSCI NET EAFE

COMPOSITE RISK MEASURES REPORT EXPLANATION

The evaluation of a fund's performance should extend beyond return to encompass measures of risk. The following page is used to determine the level of risk to which the fund has been exposed, and whether the return has been commensurate with the risk taken. All measures are calculated for both the fund and the policy as well as the difference between the two. Up to four time periods are evaluated depending on the age of the fund.

Of Negative Qtrs/# Of Positive Qtrs: Number of negative quarters shows the number of quarters in which the return was less than zero, and the number of positive quarters is the number of quarterly returns which were greater or equal to zero.

Batting Average: The batting average is a measure of consistency. It shows the percent of the quarters the fund has beaten the policy and the percent of the quarters the policy has beat the fund. A high average for the fund (e.g. over 50) is desirable, indicating the fund has beaten the policy frequently.

Worst Quarter/Best Quarter/Range: The worst quarter is the lowest quarterly return experienced during the period, a measure of downside risk. The best quarter is the highest quarterly return, and the range is the difference of the high and low, and indicates dispersion.

Worst 4 Quarters: The four consecutive quarters during which the portfolio realized its worst cumulative performance since its inception.

Standard Deviation: Standard deviation measures the total volatility of the fund, by measuring dispersion. Higher standard deviation indicates higher risk. If the quarterly or monthly returns are all the same the standard deviation will be zero. The more they vary from one another, the higher the standard deviation. Thus, it measures uncertainty, which is a measure of risk.

Alpha/Beta/R-Squared: If the policy is appropriate, then the alpha should be positive, the beta close to one, and the r-squared should be high. Beta measures risk relative to the policy. A beta of 1 suggests risk equivalent to the policy. Higher betas indicate higher relative risk. A beta of 1.2 indicates 20% more risk than the policy. The alpha measures the return adjusting for beta. The higher the alpha, the better. R-squared measures the relationship between the policy and the fund. A high r-squared means the returns of the fund can largely be explained by movements of the policy. The higher the r-squared, the more reliable the alpha and the beta. R-squared may range from 0 to 100. Beta, alpha and r-squared are derived from regression analysis using the fund and policy returns as the dependent and independent variables respectively. Roughly, one would expect the fund's performance to equal the return of the policy multiplied by the beta plus the alpha.

Sharpe Ratio/Treynor Ratio: The Sharpe and Treynor ratios are similar. The Sharpe ratio is the excess return per unit of total risk as measured by standard deviation. The Treynor ratio is the excess return per unit of market risk as measured by beta. Both of these should be compared against the corresponding value for the policy. Higher numbers are better, indicating more return for the level of risk that was experienced.

Tracking Error/Information Ratio: Tracking error is the standard deviation of the portfolio's residual (i.e., excess) returns. The lower the tracking error, the closer the portfolio returns have been to its risk index. Aggressively managed portfolios would be expected to have higher tracking errors than portfolios with a more conservative investment style. The information ratio is equal to the annualized excess return of the portfolio divided by the standard deviation of its annualized excess returns (i.e., the tracking error). The statistic can be used to compare added value of more than one portfolio – a low relative return and low tracking risk portfolio can have the same value added as a portfolio with high relative return and high tracking risk. The information ratio is a measure of the efficiency with which the excess returns have been generated. Since the information ratio is a determination of the value added vis-à-vis the risk benchmark, the higher the ratio, the better.

LargeCap S&P 500 Index Separate Account-R6 as of 06/30/2008

Investment Strategy

The investment option normally invests the majority of assets in common stocks of companies that compose the S&P 500 Index. Management attempts to mirror the investment performance of the index by allocating assets in approximately the same weightings as the S&P 500 Index. Over the long-term, management seeks a very close correlation between the performance of the Separate Account before expenses and that of the S&P 500 Index.

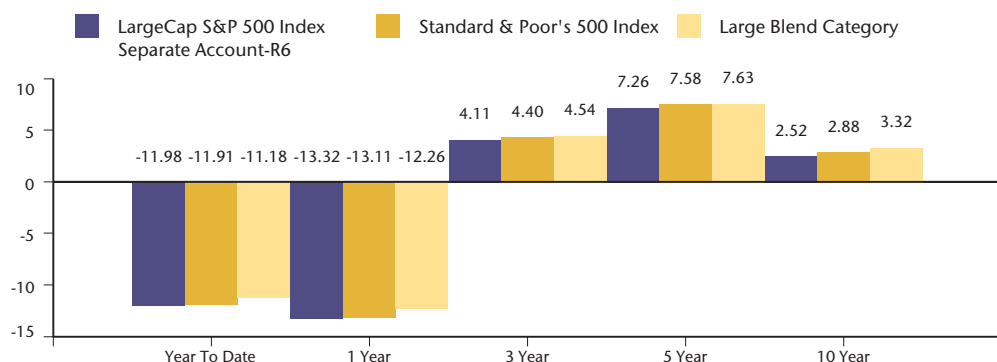


Portfolio managers

Dirk Laschanzky, CFA. Since 10/01/2003. M.B.A., U of Iowa

Scott Smith Since 12/31/2007. B.S., Iowa State University

Long-term returns % as of 06/30/2008



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service CenterSM or The Principal Retirement Service Center[®] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	-11.98	-13.32	4.11	7.26	2.52
Standard & Poor's 500 Index %	-11.91	-13.11	4.40	7.58	2.88
Large Blend Category %	-11.18	-12.26	4.54	7.63	3.32
Morningstar Percentile Rankings	-	58	53	53	58
# of funds in category	2158	2068	1703	1316	654

Annual Returns	2007	2006	2005	2004	2003
Total Return %	5.18	15.46	4.58	10.49	28.18
Standard & Poor's 500 Index %	5.49	15.78	4.91	10.88	28.68
Large Blend Category %	6.16	14.17	5.88	10.02	27.05
Morningstar Percentile Rankings	55	29	64	43	33
# of Funds in Category	2090	1980	1743	1611	1526

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Blend

Morningstar Style Box[™]

As of 05/31/2008

Investment style			Market capitalization
Value	Blend	Growth	
			Large
			Medium
			Small

Risk and Return Statistics

as of 06/30/2008 Relative to Standard & Poor's 500 Index

	3Yr	5Yr
Alpha	-0.28	-0.30
Beta	1.00	1.00
R-Squared	100.00	100.00
Standard Deviation	10.22	9.44
Mean	4.12	7.26
Sharpe Ratio	0.04	0.46
Excess Return	-0.29	-0.32
Excess Risk	0.04	0.04
Information Ratio	-7.01	-8.45

Operations

Total Investment Expense Net	0.31 %
Total Investment Expense Gross	0.31 %
Inception Date	01/01/1990
Total Net Assets (mil)	\$6,273.10

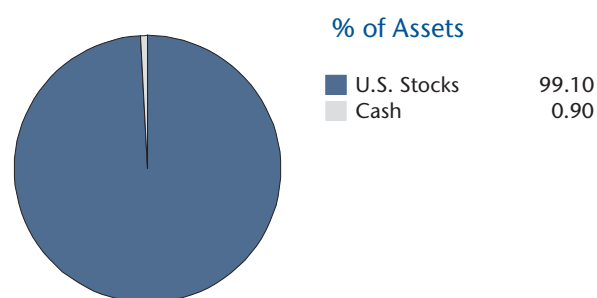


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LargeCap S&P 500 Index Separate Account-R6 as of 06/30/2008

Portfolio information

Composition as of 05/31/2008



Top ten holdings	% of net assets	Analysis
1. ExxonMobil Corporation	3.86	# of Stock Hldgs 499
2. General Electric Company	2.49	# of Bond Hldgs 0
3. AT&T, Inc.	1.96	# of Other Hldgs 2
4. Microsoft Corporation	1.84	GeoAvgCap (mil) \$51,396.05
5. Chevron Corporation	1.67	Turnover Ratio 4%
6. Procter & Gamble Company	1.65	P/C Ratio 8.71
7. Johnson & Johnson	1.54	P/E Ratio 14.57
8. International Business Machines Corp	1.46	P/B Ratio 2.42
9. Apple, Inc.	1.35	
10. Cisco Systems, Inc.	1.29	
% of net assets in top ten holdings*		19.11

Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	20.86	Healthcare	38.88	Consumer Goods	40.25
Hardware	3.90	Consumer Services	11.42	Industrial Materials	9.15
Media	10.43	Business Services	7.08	Energy	13.06
Telecom	3.05	Financial Services	4.79	Utilities	14.44
	3.48		15.59		3.60

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain investment options may not be available in all states or U.S. commonwealths.

The full name of this investment option is Principal LargeCap S&P 500 Index Separate Account-R6.

Standard & Poor's 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Each index based investment option is invested in the stocks or bonds of the index it tracks. Performance of indexes reflects the unmanaged results for the market segment the selected stocks or bonds represent. There is no assurance an index based investment option will match the performance of the index tracked.

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Formerly known as Large-Cap Stock Index Separate Account.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Diversified International Separate Account-R6 as of 06/30/2008

Investment Strategy

The investment option normally invests the majority of assets in companies in at least three different countries. It invests in securities of companies with their principal place of business or principal office outside of the United States; companies for which the principal securities trade on a foreign exchange; and companies, regardless of where their securities are traded, that derive 50% or more of their total revenue from goods or services produced or sold outside of the United States. The Separate Account may invest in securities of companies with small to medium market capitalizations.



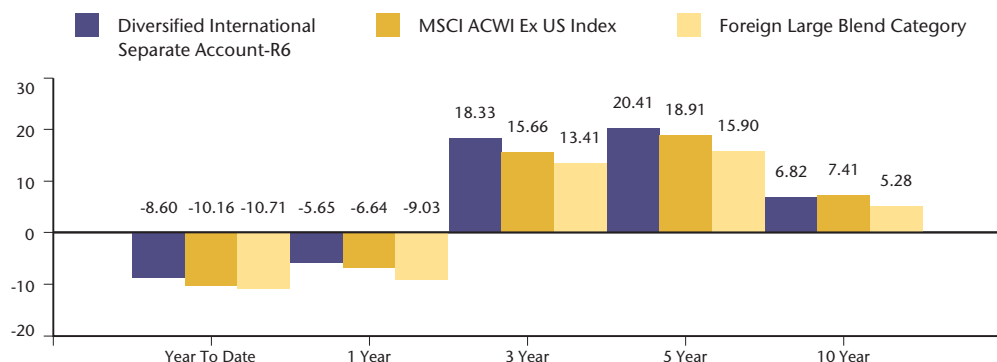
Portfolio managers

Paul H. Blankenhagen, CFA. Since 12/01/2003. M.S., Drake U

Juliet Cohn Since 05/01/2004. B.S., Trinity C

Christopher Ibach, CFA. Since 05/30/2007. M.B.A., U of Iowa

Long-term returns % as of 06/30/2008



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service CenterSM or The Principal Retirement Service Center[®] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	-8.60	-5.65	18.33	20.41	6.82
MSCI ACWI Ex US Index %	-10.16	-6.64	15.66	18.91	7.41
Foreign Large Blend Category %	-10.71	-9.03	13.41	15.90	5.28
Morningstar Percentile Rankings	-	19	3	3	18
# of funds in category	813	759	555	446	236

Annual Returns	2007	2006	2005	2004	2003
Total Return %	16.38	27.99	24.14	20.99	33.73
MSCI ACWI Ex US Index %	16.65	26.65	16.62	20.91	40.83
Foreign Large Blend Category %	12.71	24.77	14.72	17.39	33.58
Morningstar Percentile Rankings	20	15	3	10	43
# of Funds in Category	743	657	608	551	504

Morningstar percentile rankings are based on total returns.

Morningstar category

Foreign Large Blend

Morningstar Style Box™

As of 05/31/2008

Investment style			Market capitalization
Value	Blend	Growth	
			Large
			Medium
			Small

Risk and Return Statistics

as of 06/30/2008 Relative to MSCI ACWI Ex US Index

	3Yr	5Yr
Alpha	1.51	0.52
Beta	1.04	1.03
R-Squared	96.12	95.99
Standard Deviation	14.37	12.94
Mean	18.33	20.41
Sharpe Ratio	0.97	1.27
Excess Return	2.17	0.99
Excess Risk	2.87	2.61
Information Ratio	0.76	0.38

Operations

Total Investment Expense Net	1.06%
Total Investment Expense Gross	1.06%
Inception Date	05/20/1987
Total Net Assets (mil)	\$4,074.83



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Diversified International Separate Account-R6 as of 06/30/2008

Portfolio information

Composition as of 05/31/2008

% of Assets		Top ten holdings		% of net assets	Analysis	
	Non-U.S. Stocks	98.60	1. Nestle	1.68	# of Stock Hldgs	427
	Cash	1.34	2. BP	1.49	# of Bond Hldgs	1
	U.S. Stocks	0.06	3. E.ON	1.47	# of Other Hldgs	2
			4. Vodafone Grp	1.38	GeoAvgCap (mil)	\$30,394.44
			5. TOTAL	1.33	Turnover Ratio	89%
			6. BHP Billiton	1.25	P/C Ratio	7.73
			7. Banco Santander	1.25	P/E Ratio	12.90
			8. Telefonica	1.23	P/B Ratio	2.08
			9. Potash Corporation of Saskatchewan, Inc.	1.10		
			10. Roche Holding Ltd	1.08		
			% of net assets in top ten holdings*	13.25		

Top 5 Countries		Regional exposure	
	% of net assets		% of net assets
United Kingdom	20.60	Europe	60.08
Japan	14.37	Japan	14.37
Canada	8.10	Pacific Rim	12.40
Germany	7.83	Other	10.48
Switzerland	6.77	Latin America	2.60
		United States	0.06

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The full name of this investment option is Principal Diversified International Separate Account-R6.

MSCI ACWI Ex US Index is a free float-adjusted market capitalization index that is designed to measure the combined equity market performance of developed and emerging market countries excluding the US.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

International and global investment options are subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Manning & Napier SmallCap A Fund as of 06/30/2008

Investment Strategy

The investment seeks long-term growth. The fund invests at least 80% of assets in securities of companies with small market capitalizations as a company with a market capitalization of less than \$3 billion at the time of purchase. It may invest in U.S. and foreign stocks, including those in emerging markets, American Depository Receipts (ADRs) and other U.S. dollar denominated securities of foreign issuers.

Investment Advisor: Manning & Napier Advisors

Portfolio managers

Jeffrey A. Herrmann, CFA. Since 10/01/1992.

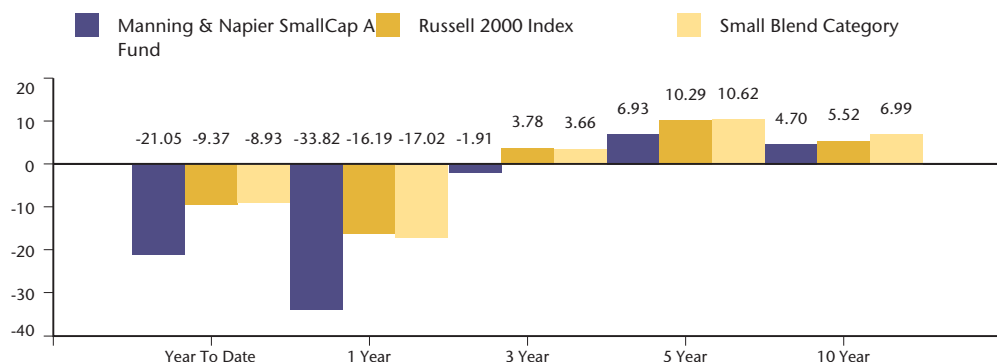
Michael J. Magiera, CFA. Since 10/01/1992.

Jeffrey Coons, CFA. Since 09/01/1993. M.B.A., Duke

Christian A. Andreach Since 10/18/2002.

Jeffrey W. Donlon, CFA. Since 04/23/2004.

Long-term returns % as of 06/30/2008



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	-21.05	-33.82	-1.91	6.93	4.70
Russell 2000 Index %	-9.37	-16.19	3.78	10.29	5.52
Small Blend Category %	-8.93	-17.02	3.66	10.62	6.99
Morningstar Percentile Rankings	-	97	92	93	87
# of funds in category	673	650	540	423	182

Annual Returns	2007	2006	2005	2004	2003
Total Return %	-9.32	18.05	14.11	19.81	37.82
Russell 2000 Index %	-1.57	18.37	4.55	18.33	47.25
Small Blend Category %	-1.10	15.03	6.75	18.94	43.41
Morningstar Percentile Rankings	92	16	9	43	72
# of Funds in Category	645	608	563	521	446

Morningstar percentile rankings are based on total returns.

Morningstar category

Small Blend

Morningstar Style Box™

As of 05/31/2008

Investment style

Value	Blend	Growth	
			Large
			Medium
			Small

Risk and Return Statistics

as of 06/30/2008 Relative to Russell 2000 Index

	3Yr	5Yr
Alpha	-5.27	-2.58
Beta	1.05	0.96
R-Squared	79.00	78.23
Standard Deviation	16.55	15.56
Mean	-1.92	6.94
Sharpe Ratio	-0.29	0.31
Excess Return	-5.70	-3.35
Excess Risk	7.58	7.30
Information Ratio	-0.75	-0.46

Operations

Total Investment Expense Net	1.14%
Total Investment Expense Gross	1.14%
Inception Date	04/30/1992
Total Net Assets (mil)	\$153.24
12b-1 Fees	-
Ticker	MNSMX



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Manning & Napier SmallCap A Fund as of 06/30/2008

Portfolio information

Composition as of 05/31/2008



Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	10.96	Healthcare	15.42	Consumer Goods	5.41
Hardware	13.41	Consumer Services	5.16	Industrial Materials	17.57
Media	8.75	Business Services	6.93	Energy	9.39
Telecom	0.00	Financial Services	6.97	Utilities	0.00

Returns shown for periods of less than one year are not annualized. Annualized total returns measure net investment income and capital gain or loss from portfolio investments as an annualized average, assuming the reinvestment of dividends, and without adjusting for loads.

Insurance products and plan administrative services are provided by Principal Life Insurance Company. Securities are offered through Prncor Financial Services Corporation, 800-547-7754, member SIPC, and/or independent broker dealers. Securities sold by a Prncor Registered Representative are offered through Prncor®. Prncor and Principal Life are members of the Principal Financial Group®, Des Moines, IA 50392. Certain investment options may not be available in all states or U.S. commonwealths.

Before investing in mutual funds, investors should carefully consider the investment objectives, risks, charges and expenses of the funds. This and other information is contained in the free prospectus, which can be obtained from your local representative, by visiting www.principal.com, or by contacting us at 1-800-547-7754. Please read the prospectus carefully before investing.

Russell 2000 Index consists of the smallest 2000 companies in the Russell 3000 Index, representing approximately 10% of the Russell 3000 total market capitalization.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Small-cap and mid-cap investment options are subject to more fluctuation in value and may have additional risks than other investment options with stocks of larger, more stable companies.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Bond and Mortgage Separate Account-I2 as of 06/30/2008

Investment Strategy

The investment option invests primarily in intermediate-term, fixed-income investments such as public and private corporate bonds, commercial and residential mortgages, asset-backed securities, and US government and agency-backed securities. Value is added primarily through sector allocation and security selection. The Separate Account may enter into reverse repurchase agreements to attempt to enhance portfolio return and income.



Portfolio managers

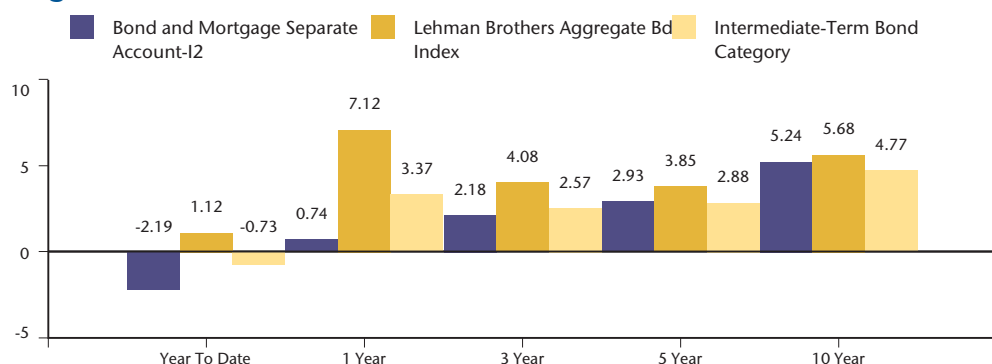
William C. Armstrong, CFA. Since 01/01/1997. Master, U of Iowa

Timothy R. Warrick, CFA. Since 06/01/2002. M.B.A., Drake U

L. Phillip Jacoby IV Since 11/07/2005. B.S., Boston U

Bernard M. Sussman Since 11/07/2005. M.B.A., Cornell U

Long-term returns % as of 06/30/2008



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service CenterSM or The Principal Retirement Service Center[®] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	-2.19	0.74	2.18	2.93	5.24
Lehman Brothers Aggregate Bd Index %	1.12	7.12	4.08	3.85	5.68
Intermediate-Term Bond Category %	-0.73	3.37	2.57	2.88	4.77
Morningstar Percentile Rankings	-	80	72	57	23
# of funds in category	1157	1121	986	828	436

Annual Returns	2007	2006	2005	2004	2003
Total Return %	3.83	4.72	2.64	5.02	5.21
Lehman Brothers Aggregate Bd Index %	6.97	4.33	2.43	4.34	4.09
Intermediate-Term Bond Category %	4.70	4.15	1.80	3.91	5.10
Morningstar Percentile Rankings	78	19	9	14	34
# of Funds in Category	1097	1092	1043	1035	952

Morningstar percentile rankings are based on total returns.

Morningstar category
Intermediate-Term Bond

Morningstar Style Box[™]

As of 05/31/2008

Duration			Quality
Short	Int	Long	
			High
			Medium
			Low

Risk and Return Statistics

as of 06/30/2008 Relative to
Lehman Brothers Aggregate Bd Index

	3Yr	5Yr
Alpha	-1.86	-0.84
Beta	0.80	0.92
R-Squared	63.33	84.16
Standard Deviation	2.92	3.59
Mean	2.19	2.93
Sharpe Ratio	-0.69	-0.06
Excess Risk	1.79	1.45
Information Ratio	-1.06	-0.64

Operations

Total Investment Expense Net	0.55%
Total Investment Expense Gross	0.55%
Inception Date	02/01/1983
Total Net Assets (mil)	\$5,765.05



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Bond and Mortgage Separate Account-I2 as of 06/30/2008

Portfolio information

Composition as of 05/31/2008



Credit Analysis

	% Bonds
AAA	63.52
AA	0.48
A	9.30
BBB	12.94
BB	6.30
B	5.95
Below B	1.31
Not Rated	0.19

Statistics

Avg Eff Duration (Yrs)	5.06
Avg Eff Maturity (Yrs)	9.46
Avg Credit Quality	AA
Avg Weighted Coupon	5.48
Avg Weighted Price	98.07

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain investment options may not be available in all states or U.S. commonwealths.

The full name of this investment option is Principal Bond and Mortgage Separate Account-I2.

Lehman Brothers Aggregate Bd Index represents securities that are domestic, taxable, and dollar denominated. The index covers the U. S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.

Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

* Values may exceed 100% if both long and short positions are included in the portfolio.